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THE REFERENCE SHELF

Volume IV Number 8

FARM RELIEF

Compiled by
LAMAR T. BEMAN, A.M., LL.B.
Attorney at Law, Cleveland, O.

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INTRODUCTION

Several hundred thousand of our farmers have become bankrupt or practically bankrupt in the past six years. Several million of them have moved from their farms to the cities or villages. Practically all of them have experienced several years of bitter hard times. While for the most part they are not now so severely afflicted as they were in 1921, still their condition as a rule is by no means satisfactory and they are not enjoying the same prosperity as the rest of the nation. Just at the present time the cotton growers of the south are suffering most because of the low price of their product, due to the bumper crop of this year. It seems to be the farmer's sad dilemma to suffer most when he is most successful. The total market value of a bumper crop is often less than that of a small crop.

Concerning the grim reality of the terrible agricultural depression that has afflicted the farmers of this country for the past six years there is no room for doubt or debate. President Coolidge has declared that the farmer is not getting his fair share, and he has said that his administration is giving to this subject more time and thought than to any other public question. The mere existence of the farm bloc in Congress, the disregard of party lines and cooperation for a common end on the part of so many Congressmen, shows how the politicians react to the attitude of the farmers in their demand for relief from the government.

There are several causes that have contributed to bring about this depression. Agriculture was stimulated by the war demand for more food to the point where it produced more than was needed in time of peace, when

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the demands of the European countries again became normal. The agricultural products of the cheap virgin lands of Canada and the Argentine Republic have become our competitors in the markets of the world. The financial condition of many European countries has made it impossible for them to buy our surplus agricultural products, at least to the extent they otherwise would have done. The high transportation rates in this country, and the high prices the farmers must pay for everything that they buy, reduce very greatly the purchasing power of their products. The transition of the United States from a debtor to a creditor nation has made it more difficult for Europe to pay for vast supplies of our agricultural products with which we formerly paid our interest charges. Now the European nations are paying us interest and our high tariff makes it difficult for these interest charges to be paid in manufactured products.

What ought to be done to relieve the farmers is a great and perplexing question. Most of the leaders of the farmers and practically all of the farm organizations have endorsed the McNary-Haugen bill, believing it to be the only measure yet offered that will give adequate and permanent relief. Although this measure, modified and amended from year to year, has been before Congress at each session for several years, it has not yet been passed by either house. President Coolidge has expressed his disapproval of it, as have also several of his cabinet. Nevertheless, it is certain to be one of the chief issues before Congress and the country for several years to come.

LAMAR T. BEMAN

December 11, 1926

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BRIEFS

RESOLVED, *that the McNary-Haugen federal farm board and surplus control bill should be adopted.*

INTRODUCTION

I. Provisions of the bill.
   A. It creates a Council of forty-eight members, four from each land bank district, to be selected by the farm organizations of each district.
   B. It creates a Board of twelve members, one from each land bank district, to be appointed by the President from a list of names, three for each district, submitted to him by the Council.
   C. Cotton, wheat, corn, butter, cattle, and swine, and the food products of wheat, corn, cattle, and swine are declared to be "basic agricultural commodities".
   D. The purpose of the Board is to stabilize the price of the basic agricultural commodities.
      1. It may buy, store, sell, or otherwise dispose of these basic agricultural commodities.
      2. It may enter into agreements with individuals or business firms.
   E. For the use of the Board $375,000,000 from the national treasury is made available.
   F. An equalization fee or small tax on producers and processors is provided for.

II. The importance of the question.
   A. President Coolidge, in his message to Congress on December 7, 1926, said, "In the past few years the government has given this subject

[agriculture] more attention than any other and has held more consultations in relation to it than on any other subject."

AFFIRMATIVE

I. The condition of American agriculture makes necessary the adoption of the McNary-Haugen bill.
   A. For more than six years agriculture has suffered a condition of serious depression.
      1. Most of the farmers have been unable to make any profit from their operations, or even to make both ends meet.
         a. The prices of everything the farmer has to sell have been low.
         b. The prices of everything the farmer must buy, and this includes freight rates, have been very high.
         c. In 1924 President Coolidge declared, "The farmer is not receiving his fair share."
      2. Several hundred thousand farmers have lost their farms and been financially ruined.
         a. Many farmers have lost everything through foreclosure of mortgages.
         b. Many have turned their property over to creditors without formal proceedings.
         c. Many are still struggling along, chiefly due to the leniency of their creditors, though they are practically bankrupt.
      3. Several million farmers have moved to the cities, many of them to begin life over again under conditions totally new to them.
         a. The Department of Agriculture has estimated that 2,000,000 people moved

from the farms to the cities in the three years, 1920-1922. (Weather, Crops, and Markets. April 28, 1923.)

b. The 1926 report of the Secretary of Agriculture estimates that 2,035,000 people moved from the farms to the cities in 1925 alone.

B. Other industries are very prosperous.

1. Secretary Hoover in his annual report (p. 42) says that the fiscal year 1925-26 was never surpassed in our history in the volume of business or the rate of wages.

C. Agriculture is a basic industry.

1. It gives employment to more men than the industries, the mines, or the railroads.

2. It produces the food supplies that make our industrial life possible.

D. The permanent and complete prosperity of other industries is dependent upon agriculture.

1. When the farmers' buying power is decreased the demand for manufactured products is decreased.

II. The McNary-Haugen bill will remedy the evils from which agriculture is now suffering.

A. It will give the farmers the benefits of protection.

1. This protection cannot be given by tariff alone.

a. The tariff can benefit a home industry only in cases where we produce less than we consume, or where the industry is so organized and centralized that it is able to limit the production and keep up the prices.

b. In agriculture we have always been

an exporting nation, producing more than we consume.

c. The farmers are so scattered and many of them so poor, that organization and centralization so as to limit production are impossible.

d. In agriculture the limitation of production is impossible, for if we planned to produce just what was necessary weather conditions might so decrease the crops as to produce a terrible famine.

B. It will relieve the American farmers from selling their products at the low level of world prices.

1. The prices of agricultural products in this country are now set by the exportable surplus, and are therefore at the low level of world prices.
2. All other prices in this country are raised to the high American standard, either by the tariff or by organization and combination using the power of monopoly.
3. Unless the farmers can have the protection afforded by the McNary-Haugen bill, they must continue to be forced to buy in the highest market in the world and to sell in the lowest market in the world.
4. The McNary-Haugen bill will remedy these conditions.
   a. It provides for a board to buy and either store, sell, or otherwise dispose of the surplus agricultural products.
   b. It gives the board power to do for the farmers the things that organization and centralization have done for the other industries and for labor.

C. The McNary-Haugen bill will stabilize agriculture.
   1. All other industries are now stabilized.
      a. The manufacturer knows what price he will be able to obtain for his products, and conducts his operations accordingly.
      b. Labor knows what wages it will receive in advance.
      c. All the hazards the farmer must take are thus removed from all other classes of people.
   2. The McNary-Haugen bill will let the farmers know in advance what prices they can obtain for their basic commodities.
      a. With this knowledge they will no longer be compelled to conduct their operations blindly.
      b. This will restore prosperity to the millions of farmers in this country.

III. The McNary-Haugen bill is a practical remedy.
   A. The principles embodied in this bill have been tried out in other countries and have always worked well.
      1. Brazil used the principles embodied in this bill and restored prosperity to her coffee growers when they were in dire distress.
      2. Great Britain used these principles to restore prosperity to the rubber producers in her colonies and dependencies.
         a. In both of these cases the prices to the consumers were raised only slightly, but a great industry that was depressed almost to the point of utter collapse was restored to prosperity, which has redounded to the welfare of the whole world.

B. The principles of the McNary-Haugen bill have been used in this country successfully for many years.
   1. They were used by the government to establish and maintain prices during the World War.
   2. They are now being used by many other industries by means of private agencies made possible by organization and centralization.

C. The McNary-Haugen bill has been approved and endorsed by most of the people who really want to remedy the conditions of agriculture.
   1. It has been endorsed by most all of the farmers' organizations in the country.
   2. It has been endorsed by practically all of the leaders in the farm movement.
   3. It has been endorsed by organized labor.

NEGATIVE

I. There is nothing in the present condition of agriculture that calls for so extreme and radical an experiment as the adoption of the McNary-Haugen bill would be.

A. The present condition of agriculture is a temporary dislocation, a natural result of the war.
   1. The war increased very greatly the agricultural production of this country.
      a. The sudden end of the war left agriculture accustomed to producing more than was needed in normal times.
      b. This condition of over-production was made much worse by the fact that Europe was unable to buy as much as it had before the war.
   2. The same condition existed in this country at the close of our Civil War.

3. This same condition depressed all of the other industries of this country in 1921 and 1922.
   a. Other industries are more prosperous than agriculture only because they been able to make their recovery more quickly.

B. This condition will remedy itself in a few years more.
   1. Europe will soon be able to buy as much as before the war.
      a. The main reason Europe has not already bought more of our agricultural products has been the depreciated condition of the currency of the European nations, so that it had little purchasing power abroad.
      b. This condition has been very largely remedied already by the American debt settlements and the success of the Dawes plan.

C. Great improvement has already been made in the condition of agriculture.
   1. The net income of agriculture has very greatly increased.
      a. The net income of agriculture for the fiscal year 1925-1926 was more than seven times as much as it was for the fiscal year 1920-1921.
   2. The wide gap between the index prices of agricultural prices and other prices has been gradually closing up.
   3. The migration of farmers to the cities will have a tendency to decrease agricultural production so as to restore the pre-war balance between the supply and the demand for agricultural products.

II. The McNary-Haugen bill is an unwise, undesirable, and un-American measure.
   A. It is a price fixing scheme for the benefit of one class of our people.
      1. Price fixing and class legislation are un-American, contrary to all precedent and to American ideals and principles.
      2. Price fixing is always a dangerous undertaking for any government to adopt.
   B. It will put the government into business.
      1. It would require the appointment of an army of officials, a bureauracy in itself.
      2. The government would attempt to raise prices by resorting to price fixing by artificially creating a condition of monopoly, cornering the market on a vast nation-wide scale.
   C. It would be a tremendous cost to the American people.
      1. The higher prices would increase the already high cost of living for every person in the country.
         a. This would bring inconvenience to all and terrible suffering to millions of our people.
      2. The direct cost to the government would run into the billions.
         a. Senator Brookhart, one of the advocates of this scheme, testified before the Senate committee that it would require $1,500,000,000 to start it.
         b. All of this would have to be borne by the American people.

III. The McNary-Haugen bill is an impractical scheme.
   A. This plan of subsidizing agriculture has failed wherever it has been tried.

1. England recently tried such a scheme, found it would not work and did not benefit agriculture, and abandoned it at a loss to the government of several hundred million dollars.
2. The American tariff law of 1890 experimented with subsidizing the sugar growers, but the plan failed and was abandoned.

B. It would very greatly benefit Europe at the expense of the American people.
   1. The exported surplus of our agricultural products would sell in Europe cheaper than the bulk of the crop sold here.
      a. If this were not the case, the bill would fail to accomplish the only purpose for which it is adopted.
   2. European labor then could live much cheaper than it does now.
   3. This would make it possible for European manufacturers to undersell the American manufacturer in the markets of the world.
      a. This would throw millions of American workmen out of work.
      b. When American workmen do not have employment, the demand for American farm products will very greatly decrease, so that a much larger surplus will have to be exported, and have to be sold at a still lower price in Europe.

C. The scheme can not be made to work out.
   1. As a general rule the dreams of overzealous reformers fade away when they are actually put to the test.
   2. This scheme is too vast an undertaking, too complicated, and involves too many

hazzards and uncertainties to be carried out by any government board.

3. It does not attempt to aid all the farmers.
   a. It would not benefit the fruit growers at all.
   b. It would not help the market gardeners.
   c. It does not help the poultry raisers, tobacco growers or sheep raisers.

D. The whole scheme is clearly unconstitutional.
   1. The twelve members of the Board, who draw their $10,000 salary and travelling expenses from the public treasury and who have full direction of all operations under the law, are really selected by private individuals or organizations.
      a. The President has only nominal appointing power, for he must appoint from the list of names submitted to him.
      b. This is an unheard of procedure, without a precedent in American history.
   2. This Board is given power to levy the so called equalization fee, which is really a tax.
      a. The Federal Constitution gives Congress alone the right to levy taxes.

E. The McNary-Haugen bill is opposed by the best minds in this country.
   1. President Coolidge is strongly opposed to it.
   2. Secretary Mellon has voiced his opposition in no uncertain terms.
   3. Even the Secretary of Agriculture is not in favor of it.

4. Most of the economists, men who are directly interested in no way, but who are best informed on the subject, are against it.

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GENERAL DISCUSSION

A NATIONAL DANGER[1]

It is universally conceded that for several years last past agriculture has been unprofitable. The farmer works harder, lives more economically and has fewer of the ordinary pleasures of life than any other class of our citizenship. That such a deplorable condition exists in the midst of universal prosperity and plenty ought to cause the wisest of our economists and our leaders to search honestly and diligently to remedy a condition that cannot go on indefinitely without bringing disaster to our civilization. Agriculture is a fundamental industry. Prosperity cannot always last while agriculture languishes. An honest civilization should demand that those who toil the most and the longest hours to supply the world with the necessities of human existence should have at least a fair return for their labors.

For several years the farmer, while practicing the greatest of economy, has scarcely been able to make both ends meet. Last year the returns on the farms of America yielded scarcely 2 per cent. on the assessed valuation. This would mean in the neighborhood of 1 per cent. for the real value. When we remember that this is only an average, and that in some favored localities producing more favored products the yield is much greater than that, we begin to realize that a large number of our farms, especially in the great Middle West, do not yield enough to pay the taxes and the interest on the indebtedness usually standing against the land. In the ten-year period from 1912 to 1922 we had a yearly aver-

[1] By Senator George W. Norris. *Current History.* 24: 9-12. April, 1926.

age increase of wealth in this country of about 5½ per cent. annually. This increase includes all unearned increment of property values, and also takes into consideration the depreciation of the dollar. During this same period the total wealth of Iowa increased only between 2 and 3 per cent. annually. Iowa, as every one knows, is as good an agricultural State as we have in the Union, and we must remember that it has quite a large amount of manufacturing, which has increased in wealth at a much higher rate than the States as a whole. It is safe to say, therefore, that the actual increased value of agriculture in Iowa was much less than this rate. During this same period Connecticut, a State depending to a great extent upon its manufacturing industries, increased in wealth about 9 per cent. annually, although agriculture in Connecticut suffered about the same as it did in other portions of the country. All this shows that prosperity has been one-sided and that agriculture is getting the worst of it.

The gross production of agriculture for the year 1923 was over $12,000,000,000. This was produced on 6,500,000 farms by about 11,000,000 workers. This does not count the work of the women and children. In manufacturing, making due allowance for the cost of raw material, there was produced in value over $25,000,000,000. This was done by about 9,000,000 workers. We thus find that 11,000,000 workers on the farms produced only $12,000,000,000 of value, while 9,000,000 workers produced more than twice the same value. At the same time there were working in connection with the railroads about 1,060,000 people. The capital employed, according to the Interstate Commerce Commission's valuation, was about $20,000,000,000, which, according to the market value of stocks and bonds, however, was $13,000,000,000 or $14,000,000,000. There was produced a gross value in earnings of $6,000,000,000, so that one-third of the capital and a fifth of the workers produced half as much as

agriculture in gross production, where there were $60,000,000,000 of capital and 11,000,000 workers. For 1924 the earnings of the national banks of this country were 8 1/3 per cent. of their capital, surplus and undivided profits. This was true, notwithstanding that throughout the agricultural regions of the West banks have been failing by the hundreds and very few of those not failing made any profit at all.

Everybody seems to be prosperous and making money except the farmer. Too few people stop to think that a country cannot long remain in a prosperous condition when the one fundamental industry of all others is failing. Masters of finance and leaders of industry seem even now to be blind to the fact that one part of the country can be prosperous and another part languishing in poverty.

Mr. Richard B. Mellon, brother of our Secretary of the Treasury and President of the Mellon National Bank of Pittsburgh, on the eve of his recent departure for Europe, was quoted as saying that fundamental conditions were sound. To prove this he cited the steel business, which showed that great improvement was taking place and that the rolling mills were operating at a greater capacity than ever and turning out large orders. Incidently, he said: "Grain prices have fallen off, which is as it should be." When the great leaders of banking and industry can see no further than the artificial prosperity that comes to Big Business while those who toil on the farms are getting no return for their labor, then indeed we have a right to question the wisdom of our financial leaders.

The Causes of Agricultural Depression

There are three principal reasons for the present unsatisfactory condition of agriculture:

(1) *The Cost of Distribution*—One of the main difficulties with the farmer's present situation is the enor-

mous cost of the distribution of his products. On much that he produces he does not get the actual cost of production. Between the producer and the consumer there is a multitude of middlemen, who neither toil nor spin and yet make enormous profits upon the food products of the country, as such products travel from the producer to the consumer. It is no answer to say that these middlemen have always kept this middle position, because the enormous increased price and cost of everything that has taken place since the war has applied to them the same as the others, and their service, much of which is speculative and a great deal of which is unnecessary, is commanding a much higher price now than before the war. This class of people is, as a rule, very prosperous, and they are making more money now than they ever made before in the history of the country. Their increased charges, it is true, are not entirely borne by the farmer, and while the farmer gets too little for his product, the consumer is undoubtedly paying too much. But the consumers outside agriculture are able to pass the increased burden on to some one else. The jobber passes it on to the wholesaler. The wholesaler, after taking another profit, passes it to the retailer, and he pushes the entire burden on to his customer. The laboring man can meet the contingency by demanding and obtaining an increased wage. The professional man adds a little more to the cost of his service. Everybody is able to pass it on except the farmer. He is at the end of the equation and must bear the entire burden.

One of the great expensive elements of distribution is freight. The railroad, after all, is nothing more than a middleman—a necessary one, it is true, but a middleman nevertheless. It makes all its money, as far as freight is concerned, at least, by carrying our products from one portion of the country to another. The cost of freight is an element that enters into everything that we eat, wear or use. There is nothing in our civilization

necessary to human existence that does not have freight as a part of this cost, unless, indeed, we except the air we breathe. It is a part of the cradle in which the little babe is lulled to sleep, and it is a part of the cost of the shovel that throws the last clod of dirt upon the coffin of old age; and between the cradle and the grave it has entered into everything used by humanity.

Again this burden is passed on from one to the other, and again when it comes to the farmer he must absorb it entirely. The freight is added to everything which he buys, and it is deducted from everything which he sells. In effect, therefore, he pays the freight twice. It cuts him like a two-edged sword, and when we remember that freight rates on agricultural products are now 68 per cent. higher than they were before the war we realize that in reality the farmer pays the freight more than three and one-half times.

Our freight-rate system is built with one idea only in mind, and that is to find out how much the traffic will bear. Our railroads, privately owned, are operated solely with the idea of profit. I speak of this in no complaining sense. It is a perfectly natural condition that has been going on ever since the first railroad was constructed. It is a natural condition that will always exist when railroads are operated for profit rather than for service. The great Middle West was settled and built up on the then existing freight rates, and we find ourselves now, with practically no warning, confronted with the fact that the freight rates on everything the farmer buys and sells are practically doubled. This element alone is sufficient to wreck any industry that before was operating on an exceedingly slim margin.

(2) *The Tariff*—Another cause of depression in agriculture is the existing tariff. In the main the farmer is compelled to buy in a protected market and to sell his product in a world market. It is true that many of the farm implements which the farmer uses are on the free

list, but he does not buy these implements every day. He is a consumer the same as the rest of the people, and he is subject to the same increase in the general cost of the things he has to purchase almost daily as are all other classes of our citizens. He lives and has his being in a country around which there is built a tariff wall, and must share all the disadvantages that come therefrom without being able to get many of the advantages which come to other classes of our people. His cost of living is increased, but he is unable to pass on the additional cost or to get the benefit of the tariff when he sells the products of his labor. In a general way it is fair to say that he buys inside the tariff wall and must sell outside it. He has the price fixed for him on everything he produces and has nothing to say about the price of anything he sells. His principal sales are the products that are fixed in the markets of the world and with which the tariff has but little to do.

(3) *The Farmer's Surplus*—Another of the great difficulties with agriculture is the farmer's surplus products in the main items of farm production. It is generally conceded that the prices of the principal products of the farm are fixed in the markets of the world, regardless of the provisions of our tariff. This comes about from the fact that the American farmer produces more than can be consumed in this country, and that the surplus must be sold on the other side of the tariff wall. There may be some exceptions. There may be, and I think there are, some instances where the farmer gets some benefit by a tariff on products of which he even produces a surplus, but it is fair to say that as a general rule the surplus of any products fixes the price of the entire production.

The farmer cannot limit his production like the manufacturer. It is necessary for him to cultivate to the limit of his energy, and when he has once sown the seed, the amount of his production depends to a great extent upon

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the elements of nature. He cannot know in advance whether there is going to be a big crop or a small one. He cannot tell whether there will be a surplus or a shortage, and it often occurs that he makes more money upon a small crop than upon a large one. If he has a large crop his burdens are increased and his very profits are curtailed by his increased toil. As a rule, he has nothing whatever to say about the market in which he shall sell his product. His business has been so unprofitable that he is nearly always compelled to borrow money to produce a crop, and to a great extent he is then subject to the control of the man or the institution that holds the mortgage. If he is in such financial condition that he does not have to borrow, then it is true he could hold such profits as are not perishable for a market that would be more satisfactory; but much of what he sells, like cattle, hogs and sheep, for instance, must be put upon the market when he has them in condition for sale.

This market, often manipulated by the very middlemen who are standing between the farmer and the consumer, is absolutely beyond the farmer's control, and he is compelled to part with the products of his labor at times that are not of his own choosing. The farmers of America produce a surplus of nearly all of the principal farm products, and they find themselves compelled to accept a world price where no existing tariff law or regulation will enable them to get, like the manufacturer, cost of production plus a reasonable profit.

A REAL DEPRESSION [2]

All gentlemen who have spoken have testified that there is a real farm problem. I have asked that these charts be brought before you, so that you may see the actual farm situation. I am not going to say much about

[2] By Melvin O. McLaughlin. *Congressional Record.* 67: 8987. May 8, 1926.

them. They speak for themselves. The impression that comes through the eye is stronger than the impression that reaches the mind through any of the other senses, so if I may, I will just call your attention to them, and I would like to have you study the charts while I am talking, if you are not interested in what I may say hereafter.

On this chart there is shown the buying power cut in half between 1914 and 1920 and 1923. You will notice the figures there with respect to the farm share of the current total income. The farm population is 29.9 per cent of the whole, but the farm income in 1919 was 17.7; in 1920, 13.4; and in 1921, 9.9.

Gentlemen, if that does not present a pitiable picture of the depreciating value of the farm and farm products, I do not know what would. I herewith submit these tables for the RECORD:

[Prepared by North Central States Agricultural Conference]
The agricultural situation

CHART I

1. BUYING POWER CUT IN HALF
(1914=100)

4 years 1920-1923:	
Beef cattle	52
Swine	62
Wheat	45
Corn	57
Oats	48.5
Barley	49

(National Industrial Conference Board.)

2. FARM SHARE OF CURRENT INCOME LOW

Farm population, per cent of total	29.9
Income, per cent of total current:	
1919	17.7
1920	13.4
1921	9.9

(National Bureau of Economic Research.)

3. AGRICULTURE'S SHARE OF NATIONAL WEALTH DECLINING

	1900	1912	1923
Total wealth .....billions..	88.5	186.3	320.8
Farm wealth .....do....	22.1	49.8	64.3
Farm share of total .....per cent..	25	26.7	20

(Department of Agriculture.)

4. FARM PROPERTY IN UNITED STATES WORTH LESS THAN IN 1913

[Dollars of 1913 purchasing power]

Value of all farm property in United States:	
1913	$45,227,000,000
1924-5	$38,188,508,000
Per cent. of 1913	84.4

(Figures from National Bureau of Economics Research and Department of Agriculture.)

CHART 2

5. FARM AND MANUFACTURING WEALTH COMPARED

[Dollars of 1912 purchasing power]

Manufacturing:	
1912	$20,785,000,000
1922	$29,447,109,000
Per cent of 1912	141.9
Agriculture:	
1912	$12,785,000,000
1922	$ 9,244,604,000
Per cent of 1912	71.8

(Bureau of Census.)

6. EXCHANGE VALUE OF FARM LANDS BELOW 1910

[Dollars of 1910 purchasing power]

1910	$17,284,260,000
1920	$14,904,561,000
1925	$13,647,519,000
1925 compared with 1910 .....per cent..	78.98

(Bureau of Census figures for Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Missouri, Iowa, Kansas, Nebraska, North Dakota, South Dakota.)

7. MEANTIME FARM DEBT GROWS

Total farm indebtedness:	
1910	$ 4,320,000,000
1920	$12,250,000,000
1925	$12,250,000,000

Now, come down to this, the third head of the chart. You have the total wealth in 1900, 88.5 billions, while the

farm wealth is 22.1 billions. The farmers' share of the total is 25 per cent.

Now, notice the increase in wealth. In 1912 it was $186,300,000,000. The farm wealth, $49,800,000,000; in 1923, the wealth was $320,800,000,000, and the farm wealth $64,300,000,000, or 20 per cent. Down here you have the purchasing power of the dollar. The value of the farms in 1913 was $45,000,000,000 plus. In 1924 it was $38,000,000,000 plus. These figures are from the National Bureau of Economics and Research in the Department of Agriculture.

Now, on this chart over here, the farmers' wealth and the manufacturers' wealth are compared. In 1912, the manufacturers' was $20,000,000,000 and the agricultural was $12,000,000,000. In 1922, the manufacturers' was $29,000,000,000 and the farm $9,000,000,000.

Now, take the farm land. In 1910 the farm lands were worth $17,000,000,000; in 1920, $14,000,000,000; in 1925, $13,000,000,000. That is 78.98 per cent of what it was in 1910. In the meantime farm debts have been multiplied by 3, while the farm values have decreased materially.

POSITION OF THE FARMERS[3]

It is agreed that the higher wages in the building trades have been passed on as charges to the people who occupy the houses, and for now more than five years bitter complaint has come from the farmers that the higher pay of railroad and factory employes, and of all the other residents of towns and cities, were being passed on as charges upon them, in so far as they were buyers of transportation or consumers of town-made goods.

Official figures show that throughout the industries, including transportation, wages have advanced since 1913 by a higher percentage than the cost of living, and the

[3] From *Economic Conditions;* the monthly letter of the National City Bank of New York. November, 1926. p. 205.

rise of the cost of living it all in the higher wages paid in production, transportation and distribution. That is to say, part of the higher wages have been neutralized by improvements in organization, methods and machinery.

Upon the average computed by the Department of Agriculture, the farmers are now selling their products, consisting of food stuffs and raw materials for the industries, at about 30 per cent above pre-war prices, while wages average over 100 per cent above the pre-war level. An official farm publication, stating that Iowa is the center of a low price area, has compared the prices of farm products with the wages of factory employes as follows:

Date	Prices paid to Iowa farmers prewar = 100	Wages of factory workers prewar = 100
1921	102	203
1922	106	197
1923	113	214
1924	121	218
1925	142	223
August, 1926	129	227

The latest farm product to suffer is cotton, which is not a product of Iowa, but which is now selling at approximately the average price of the five years, 1909-13. The production of cotton is the leading industry in a dozen states. This clothing material, which enters into the daily use of all the wage earners in the land, is being supplied by the producers on the pre-war basis, while for the labor entering into the factory goods which he buys he must pay on the average more than double pre-war rates. It is true that the public, including wage-earners, pay much more than pre-war prices for cotton goods, but that is because cottonmill operatives in New England are receiving 120 to 140 per cent higher wages than before the war and even in the South, where wages always have been lower, mill employes are receiving 90 to 100 per cent more than before the war. Mainly as the result of

the decline in raw cotton the price of cotton goods has declined on the average about 21 per cent since November 1, 1925.

The question at the moment agitating the farm population is whether in considering the proper compensation of railroad employes it will not be just as reasonable to take account of the compensation of farmers as of the pay of the building trades? The number of farmers is several times that of all the building trades and railroad employes combined, in fact with their families approximates 30 per cent of the entire population. In view of the inferior position which they have occupied for now five years, what argument can be given for placing additional burdens upon them in order to raise the highly organized trades to higher rates?

THE DISPARITY IN PRICES[4]

What is the farmers' most serious trouble? Why the continued depression in agriculture? It is not due to short yield or crop failures or to unfavorable weather and climatic conditions, nor is it due to bad management, extravagance, or idleness, nor to the farmers' lack of industry intelligently applied. All agree they have carried on their pursuits with as much vigor and energy as ever. The causes are, of course, many—the unwarranted sudden deflation policy, the continuing high cost of farm production, high transportation rates, high rates of taxes, and many other factors which time does not permit me to discuss in detail.

In my opinion the most serious handicap to overcome is the disparity in prices between agricultural commodities and other commodities, as shown by the low prices which the farmer receives for his commodities as compared with the price he pays for what he has to buy to

[4] By Gilbert N. Haugen. *Congressional Record.* 67: 8696-7. May 4, 1926.

operate his farm successfully. The purchasing power of the farmer's commodities is not on a parity with the purchasing power of the products of industry. All with experience will agree that in many instances the purchasing power of agricultural commodities is less than one-half of its pre-war purchasing power.

A number of years back, in my section of the country, corn sold at from 25 cents to 50 cents a bushel and occasionally as high as 60 cents. Wagons sold at $35 to $50, binders from $110 to $125. Generally 100 bushels of corn would buy a wagon and 200 to 250 bushels of corn would buy a binder. The current price of corn is from 25 cents to 50 cents. Wagons sell at around $135, binders at around $230. It now requires around 250 bushels of corn to pay for a wagon and from 400 to 500 bushels to pay for a binder. The same is true in purchasing other implements and clothing and most of the things the farmer has to buy. Wages and taxes have more than doubled, and so all along the line.

Undoubtedly the depressed economic conditions in agriculture are very largely due to the inequality in prices between agricultural commodities and other commodities, which has resulted in an inadequate return to the farmer for his labor and capital invested.

First. It is largely due to the exportable surplus of certain agricultural commodities, by which the price at home is made dependent upon world prices and is lowered by reason of unsettled world conditions and lower cost of production in foreign countries. This, of course, is due to the unfortunate fact that the price obtained for the surplus determines the price of the whole production.

Second. It is due to the inability of the farmers to organize, to pool their whole production so as to market their commodities as the market requires them, and thus control the price so as to receive full benefit of the tariff protection as organized industry does. Our growers of cotton are in the singular position of producing and ex-

porting over 60 per cent of the world cotton exports, yet without legislation of this character they must remain powerless to influence the world cotton price.

It is generally conceded in the case of the producer of a commodity of which there is a large exportable surplus that in the absence of an organization vested with power to pool its whole production or to curtail output, the prices obtained for the exportable surplus determine the prices of its whole production. On the other hand, an organization which has a monopoly or is vested with power to pool its whole production is able to sell part of its production for domestic consumption at the world's price plus the tariff and transportation charges incidental to the importation of the competitive article. Organized industry which has a monopoly or power to restrict production is able to determine the price of its product, or if it produces an exportable surplus, under a protective tariff system it is able to sell a part of its product in the domestic market for domestic consumption at the world price plus the tariff and cost of importation, and to sell its surplus at the world price level in competition with the surplus production of other countries, without affecting the domestic price. Thus it materially advances the average price of the whole production, the average price being the domestic price less the discount occasioned by the lower price of the surplus.

On the other hand, with six and one-third million farmers scattered over this broad land, many of them more than 3,000 miles apart, unorganized as they are, restricted production or pooling of their surplus production necessary in order to take the benefit of our protective tariff seems out of the question without further legislation and cooperation. It has been tried. Many most excellent men have given their time and money in an honest effort to effect organizations to pool the whole production. Everyone that attempted this, so far as I know, has given up in despair. Millions of dollars have been expended without accomplishing the desired results.

The same is true as to the curtailment of production. Even if curtailment of production were possible, it would be unwise, unhuman, and un-American to do so. We boast of the fact that we rank among the greatest agricultural nations; we take pride in the fact that during the World War we were in position to supply the needed food not only to our own people but to the valiant men at the front. We are characterized as the food basket of the world; we are blessed with rich and productive soil, rain, and sunshine; we are charged with the grave responsibility of producing food. Shall we shirk the responsibility and bring the danger of starvation not only to our own loved people, but to millions of others throughout the world?

Gentlemen, it is unbelievable that anyone could harbor the idea. Even if it were deemed wise to curtail production, it would, of course, be beyond the control of Congress or the producer. No; unfavorable weather and climatic conditions, the corn borer, the chinch bug, grasshoppers, rain and sunshine, and numerous other factors would have much to do in determining the yield. Providence must be taken into consideration.

Furthermore, it would be economically unsound. About one-half of the American people live in the rural districts. Of that number upward of 7,000,000 farmers employ a large number of wage earners, which, together with the members of the family, make up a total of more than 31,000,000, tilling upward of 7,000,000 farms, producing annually approximately one-third of the world production of wheat or cereals. The farmers furnish on an average about one-half of our total export. One year they furnished as high as 84 per cent. It is clear that without the industry and success of our farmer, the balance of trade, now in our favor, would turn into an adverse balance to be paid in gold. As a result, our gold reserve would disappear. American exchange, now at par, would, as in other countries, go below par and thus

deflate our currency and further deflate the purchasing power of labor and all commodities.

Our farm production in the past has been our greatest national blessing. It has helped feed the world; it contributed more than any other thing to winning the late war. Surely a nation as great as ours can devise a better, sounder way to protect agriculture than to force down farm production in the face of the needs of the world, and of a constantly increasing national population.

No; rather than to curtail production we should, as in the past, continue our appropriations to encourage and protect production. Shall it be said that the hundreds of millions of dollars appropriated in support of our Department of Agriculture in promoting irrigation and in various ways to maintain production shall be discontinued? No; my friends, to do so would be a mistake. Yet it makes it necessary for us to meet a critical condition of farm inequality growing out of that policy.

As a result of the farmers' inability to organize, to effect a 100 per cent pool, and to market their commodities as organized industry does, they sell their exportable surplus on the world market in competition with the producers of the world and the price obtained for the exportable surplus determines the price of their whole production. As a result, the farmer tilling his $75 or $200 an acre land, producing on an average about 14 bushels to the acre, sells his wheat, produced at high cost, in Liverpool in competition with the Canadian wheat growers, growing their wheat on their new farms, rich in production, and selling at $5 to $40 an acre at times, producing as high as 40 to 60 bushels to the acre. Farmers in the corn belt, tilling their $200 or $300 an acre farm, whenever they produce a considerable exportable surplus of corn and cattle, sell in competition with the surplus corn and cattle of Argentina, produced by underpaid labor on its low price and rich soil.

CAUSES OF THE AGRICULTURAL DEPRESSION[5]

Some people say there is no agricultural problem. They say if we leave the farmers alone they will work out their own salvation. I believe this last statement is true myself, but I also know the farmers are not left alone. They are hedged around with transportation laws, with public utility laws, with patent laws, with credit laws and with protective tariff laws, all of which increase to them the prices they must pay for the things they need. On the other hand, when they come to dispose of their own product, they have a surplus of about ten or twelve per cent of their own production which goes abroad and is sold in the competitive market of the world. The price is fixed by this sale and then comes back home to fix the price of their whole product in the domestic market the same as the world market for the surplus, less freight and expense. Under this situation the farmer is compelled to buy at the high price level of the protected American market, and is compelled to sell at the low price level at a competitive world market. This world cut is a gigantic discrimination against agriculture.

We claim for the state of Iowa that it is the best agricultural spot in all the world. You cannot lay the map of Iowa down in any other spot that produces as much from the soil as does the state of Iowa. If therefore the farmers of the state received a fair value in exchange for their products for the things they need, the wealth increase of Iowa would be greater than any other like-sized state in the Union. However, Secretary Hoover's bulletin on "Estimated Wealth" shows that the wealth increase of the whole United States from 1912 to 1922 was at the rate of about five and a half per cent per year, and while Iowa produced more than any other spot

[5] Speech of Col. Smith W. Brookhart, September, 1926.

in the country during this time, the wealth increase of Iowa was only about two and three-quarters per cent per year, or slightly less than one-half as much as the average of the whole country. Using the figures of Secretary Hoover's bulletin, this means that the farmers of Iowa received for their products three hundred million dollars per year less than they were entitled to receive to bring them up only to an average of the whole country, when they were entitled to a little more than the average. It is needless for me to say to the bankers and business men that if the farmers of our state had received this extra wealth to which they are justly entitled, that other lines of business would have been prosperous. It is also well to know that this ten-year period included the three years of high war prices and so-called profiteering by the farmers' but with all of that averaged in, his reward was still over three million dollars to the county less than the farmer was entitled to receive. This discrimination is not against Iowa as a state, and a similar discrimination in the same period existed against all of the agricultural states. It is the discrimination against the great basic industry of agriculture everywhere.

Another set of figures demonstrate the same conclusion. In 1923 there were invested in agriculture sixty billion dollars, and that was after the deflation of values. There were between eleven and twelve million workers on the farms of the United States who made a hand, and these eleven million workers and sixty billions of capital produced a gross value of $12,348,000,000. Of this value, 27 per cent is rated as raw material, such as feed, pasture and seed which remains on the farm. The same year there was invested in manufacturing in the United States, about forty billions of capital or only two-thirds as much as agriculture, and there were employed 8,777,000 men and women workers, or only about four-fifths as many as in agriculture. If therefore, there had been economic equality in the situation of the industries

and agriculture, the smaller amount of capital and smaller number of workers would have produced less than $12,348,000,000 with the same allowance for raw material. However, this was not the result. Instead, after deducting the difference in raw material allowance, the smaller capital, the smaller number of workers in industries produced a gross value of forty-four billion dollars. The apologists for this discrimination against agriculture claim that the cause of this high value of manufactured products was due to the high wages of labor, but the Labor Department reports that only eleven billion dollars of this went to labor, and no fair-minded man would say that was a greater share than labor is justly entitled to. The other side of the triangle, the capital side, received in one form and another, thirty-three billion dollars, a large part of which was not profit. The big combinations of capital could easily have spared six billion dollars of these profits to agriculture by paying them higher prices for their products, and that would have made agriculture prosperous, altho still with a profit much less than the big combinations of capital. As soon as these facts are known, it must be conceded that a great economic discrimination exists against agriculture, that it is permanent and not temporary, and calls for a full consideration of agriculture in comparison with every line of industry.

I shall not base this conclusion upon my own logic, but I call to its support the statement of the National Industrial Conference Board Incorporated, of New York, of March 8, 1926. This board is made up of the leaders of the big industries and commercial organizations, and its findings might be classed as the views of Wall Street itself. It starts out by saying:

> Radical tendencies among farmers, who once were the backbone of the conservative wing of our body politic, curiously contrast with the increasing conservative trend of our urban population.

I now desire to call to your attention the first word this board uses when it talks about you—"radical." I have

found out that if you disagree with this Wall Street crowd once, just once, you are a "radical"; if you disagree twice, you are a "socialist": if you disagree three times you are an "anarchist"; and if you disagree four times you are a "bolshevik". So far as I am concerned I have gone clear down the line with this outfit and they have run out of names to call me. I also pass over the names they call you, because we have reached a stage where it makes no difference what they call us, we are going ahead anyhow. This board does state some facts that are collected from the Agricultural Year Book, and as they are substantially correct, I quote them. They say:

> Actual earnings of the farmer in 1924 in return for his labor, are computed by the Board at $730.00 on the average as against average earnings of $1256 per wage earner in the manufacturing industries in the same year; average earnings of $1572 by transportation workers, $2141 earned by clerical workers, an average of $1678 earned by ministers, $1295 by teachers, about $1650 by Government employes, and an average of $1415 per worker in all groups other than farmers.

From this it would seem that if the farmer received for his labor only $15 more than one-half as much as the average worker in all other groups. It will also be noted that their comparisons are made with other workers and that nothing is said about the excess profits of capital that are oppressive to both the farmers and the laboring people much as I have already pointed out in the manufacturing industries. And then they further say:

> The food, fuel and housing supplied by the farm, the Board report appraises at about $630 per year, which the report points out leaves the average farmer a cash income of about $100 out of the $730 earned by his labor during the year 1924. An average return of about $400 is allowed on the capital invested, making the total average cash income to the farmer operator but $500 per year. Since the cost of food and clothing purchased by the average farm family during the year runs to about $475, the average farm income, the Board points out, is only slightly more than enough to purchase the necessities of life.

This report shows that the average farm investment in the United States is $12,000, and a $400 return as above

stated, is only 3 1/3 per cent upon the farmer's capital. And this report further shows that all the farmers of the United States received on an average as a return for both their labor and capital, only $25.00 more than enough to purchase the necessities of life. If therefore, he owed any debts and his interest bill was more than $25, he would be unable to pay it, or forced to live on less than the ordinary necessities. This report further states:

> Since these figures represent averages, the Board report declares, there must be as many worse cases as there are better ones, and in many instances therefore, farmers must have had to forego payment of interest on debt, or taxes, to say nothing of repairs, equipment and maintenance and proper care of the fertility of the soil in order to pay ordinary living expenses. This situation, the report states, is illuminatingly reflected in farm bankruptcy statistics. The rate of farm failures in 1910 to 1924 shows an increase of over a thousand per cent, in contrast to that of commercial failures, which have remained practically the same per year during the same period.

I now want to inquire what is the cause of this more than a thousand per cent increase in farm bankruptcies while other bankruptcies remain at practically the same rate. Why this discrimination against agriculture? Is it caused by laws of Congress, or by the administration of laws, and can it be corrected by proper legislative enactment?

It is my judgment that almost the entire cause of this situation is due to laws of Congress or administration of such laws, assisted to some extent by certain state laws. Anybody can make this sort of a general statement. It amounts to nothing in the consideration of the question, but you want to know the names of the laws and how they operate to discriminate against agriculture. Having these facts you yourselves can judge as to the accuracy of the cause which I have assigned, and as to the effectiveness of the remedies I suggest.

The first law I desire to discuss is the Transportation Act, because agriculture must pay the cost of transportation. If the farmer ships his load of grain or stock to

the market, he writes a check for the freight and he knows he pays it. If he sells to a dealer, he knows the freight is deducted from the price he would otherwise receive. If he buys a manufactured article shipped in by freight, he knows that freight is added in as a part of the cost, and then a profit over the whole cost—and he pays it all. If therefore, the cost of transportation is excessive, it means a tax upon agriculture as inevitably as the tax levied by the other authorities of Government. I shall therefore present phases of the Transportation Act that have increased the rates upon the farmers of the United States.

In the first place this Act set up machinery to determine the value of the railroads and prescribed rules under which it should operate. When this machine had performed its task, it fixed a tentative value of $18,900,000,000. At the moment this value was fixed, an investigation of the stock and bond market showed that the market value of the railroads as evidenced by the sales of their stocks and bonds was less than twelve billion dollars. This means that about seven billion dollars water was legalized as value as the basis of establishing rates upon the people of the United States. The law then provided that the Interstate Commerce Commission shall initiate rates high enough to pay the operating expenses of the roads and over and above the operating expenses the first two years a return of 6 per cent and thereafter 5¾ per cent upon all their value thus fixed by law, water and all. A return of 5¾ per cent upon nineteen billion dollars value when the actual honest value is less than twelve billion, means more than 9 per cent upon the actual honest value. I now ask you to remember Secretary Hoover's statement referred to at the beginning, that from 1912 to 1922 the whole wealth increase of the United States was only 5½ per cent per year, and notwithstanding the fact that 5½ per cent is all there is in this American proposition, under this law we have taken a block of

capital owned mainly by eight thousand New York millionnaires and given it a return of more than 9 per cent. This is 3½ per cent above the average power of the American people to produce, and means that some other capital must take that much below the average of 5½ per cent—and that is upon the theory that everything produced by the people should go to capital, which is also unjust. An analysis of this guaranty clause of the law shows that it is not a guarantee out of the Treasury of the United States, but it is a direct mandatory command of the law to the Interstate Commerce Commission to initiate rates that will get this result out of the pockets of the people of the United States. The guaranty is therefore almost as secure and certainly more offensive than if it had been out of the Treasury of the United States. Most of this guaranty is now being collected, and ultimately it all will be in the rates that are levied, and it will cost the people of the country about $400,000,000 per year in excess freight rates. This is only one item of excess charges under the Transportation Act, and there are several more almost as important.

The waste of competition is an enormous sum. The separate railroad organizations, each with its high salaried overhead, and especially with the long haul of freight to keep it upon its own line, and the long haul of supplies for its own use, have produced an enormous waste. Edward Dudley Kenna, of the Santa Fe, said in his book ten years ago that this waste amounted to more than $400,000,000 a year. All of this goes into the operating expenses and increases the rates upon the people of the country in that vast sum.

Another gigantic item is the capitalization of unearned increment, or increase in property value. Some people say the railroads should have the right to this increase because the farmer has the right to the increase in the value of his land. This comparison leaves out one very important fact, and that is the law of the public utility.

The public utility always has had a guaranty of the law for its reasonable or adequate return upon its prudent investment over and above operating expenses. This guaranty is constitutional and Congress has no power to change it. It has a right to charge, and the public is compelled to pay rates that will get this result. Even before the Transportation Act this was true, altho there was no guaranty of the Constitution for return upon watered valuation. Since the public must guarantee this return upon the investment in public utilities, and since the public also creates the unearned increment, it is not right that the public utility should have both the guaranty of return on its investment and then the right to add in speculative values and charge the same public that created them, rates to get a return upon this speculation. The law should have ended this sort of valuation forever; and it means two or three hundred million dollars a year in excess freight rates to the people of the United States.

Another great item is the excess profits of the inside or subsidiary companies that furnish supplies to the railroads. Nearly everything a railroad uses is furnished to it by some inside company organized or controlled by the same big men who control the roads. When they come to sell these things to themselves, they do not sell them at the lowest price they can afford to take for such articles, but at the highest price they can collect from the American people under the guaranty provisions of this law. This item is costing the American people two or three hundred million dollars a year in excess profits that go into the operating expenses of the road and must be paid under the guaranty provisions of the law.

There is another big item, and that is the interest charges on the bonded portion of the capital. About ten billion dollars of this twelve billions of actual value is borrowed money, and the railroads have all the time secured this money at less than 4½ per cent interest rate on an average. Under the terms of the law the people

are required to pay 5¾ per cent or a bonus of about $150,000,000 per year. The figures I have used are based upon the Commission's valuation, and the market of railroad securities at the time they were turned back in 1920. There have been increases of capitalization, and perhaps of all these other items since that date, but the proportion will probably remain the same. There has been a tremendous stock boom since the last election, and even at that the present market values are many billion dollars below the values fixed by the Commission. All of these items added together mean, taking the lower estimates on unearned increment and excess profits of subsidiary companies, that the capital manipulation of the railroads is costing the American people about $1,350,000,000 per year in excess rates and charges. It is said by those who apologize for high rates upon farm products, that the cause is the high wages of railroad labor, but these same parties fail and neglect to describe a single one of these great items which I have outlined to you. If they were reduced by law as they ought to be, they could reduce the rates on farm products back down below the pre-war level, as the Canadian railroads have already done, and as these roads have further done, we could do this without reducing the wages of any man who works on any railroad. I estimate that Iowa's share of this $1,350,000,000 amounts to a tax of more than $1.00 an acre on every acre of land in the state, per year. If that were translated into a mortgage at 5 per cent it would mean a mortgage of more than $20.00 an acre over the whole state of Iowa. Notwithstanding this heavy burden, it is my estimate that high transportation charges are not more than one-tenth of the cause of the farmers' troubles. I attribute one-tenth of the cause of this thousand per cent increase in farm bankruptcies to the Transportation Act and the items which I have named. This law was passed by a Democratic administration and signed by a Democratic President, and the Democrat who got my seat in the Sen-

ate as about his last act before coming home, voted against the repeal of the vital sections of this law. However, the Republicans are entitled to their share of the blame for this law and it is non-partisan in its responsibility.

The next law or system of laws that I desire to present relate to cost of credit and the manipulation of credit by the Federal Reserve banking system. The deposit business of the United States is held in monopoly by the state and federal banking laws. There are certain credit union laws, but they are so carefully prepared as to make them all feeders of the big monopoly system. Not long ago I asked our Farm Bureau member of the Federal Reserve Board how much Iowa money the banks of our state had in New York on call. He said there was no way to get the exact amount, as no separate record was kept, but it amounts to a vast sum all the time. I checked five Iowa banks from their own statements and they had over two million dollars, and another one had over four hundred thousand. This means that all the time the banks of this state send a vast sum of our money to New York on demand investments of different kinds, on which they receive about 2 per cent interest. In this way the New York banks collect together vast sums of deposits from the whole United States, and then re-lend it, principally to speculators, at 3 or 4 per cent. At one time last year the New York Stock Exchange had four billion dollars of this kind of money borrowed, and they had about three billion on an average the entire year. It is this vast sum of money that is used in stock speculations and the stock booms that have gone on since the last election. Every time those stocks boom higher it means higher prices for what the farmer must buy, and his own money is being used to boom these prices against him. A large portion of this money is farmers' deposit which as a whole are always greater than the amount loaned back to

agriculture by this banking system. The deposits of labor are many times more than are loaned back to labor, so in this great stock speculation the deposits of the farmer and the laboring man are the great sources of finance that are used against them. This vast sum of money is gotten by speculators at a low rate of 3 or 4 per cent, while if a farmer gets a bank loan to produce the food of life itself, he is required to pay from 6 to 12 per cent in some of the states. Since the farmers deposit in this system as a whole more than is loaned back to agriculture, I maintain that the Federal Reserve owes it to agriculture to protect its prices and maintain them at the level of the prices of the protected industries of the United States. It has also the power to effect this result. How has it performed this duty?

Following the war agitation was set up that the wages of labor were too high and must be deflated. This was followed by another agitation that the cost of living was too high and the cost of farm products should be deflated. Labor was well organized and prevented most of this deflation as to labor, but it was a different story as applied to agriculture. Finally on May 18, 1920, a meeting of the Federal Reserve Board, of the Federal Advisory Council, and the Class A Directors of the Federal Reserve Banks was called to consider this general deflation. I have the minutes of that meeting, so it is not necessary to guess at anything that was said or done. However, before I go into that meeting I want to lay down this economic principle. I want to say that a deflation policy by the Federal Reserve System is always wrong—is always an economic crime. They have no right ever to consider such general deflation, because they themselves approve the loans and even encourage them, and after having done this, it is their duty to see those loans thru to the end and not turn around and call them as was done in 1920.

On page 42 of the Minutes of this meeting a Resolution was adopted by unanimous vote, and the first sentence is as follows:

> The whole country is suffering from inflation of prices with the consequent inflation of credit.

This amounts to a formal declaration that we were already over-inflated both as to prices and as to credit. On page 8 Governor Harding said:

> Thus the directors of Federal Reserve banks are clearly within their rights when they say to any member bank, "You have gone far enough; we are familiar with your condition; you have got more than your share, and we want you to reduce; we cannot let you have any more."

This is the declaration for a general deflation in language too clear to be mistaken; and on page 34, the Resolution was unanimously adopted which contained the following language:

> .....approve the sentiments expressed in the very able address of Governor Harding as representing the views of the Federal Reserve Board.

Thus by formal resolution this meeting approved the general deflation policy. Now this much of the proceedings of the meeting were made public, but beginning on page 14, Governor Harding asks for a consideration of the *method* to force this deflation by raising the discount rate, and that part of the proceedings were kept secret. During most of the forty-eight pages that follow, consideration was given to this raising of the discount rate to 7 per cent in New York and giving it a progressive rate above that in some of the districts, and thus force a reduction of loans and a general deflation. The rate was already up to 6 per cent, but this discussion considered raising it to 7 per cent, and that was finally done. However, on the last page just before adjournment, Governor Harding said:

I would suggest, gentlemen, that you be careful not to give out anything about any discussion of discount rates. That is one thing there ought not to be any previous discussions about, because it disturbs everybody, and if people think rates are going to be advanced, there will be an immediate rush to get into the banks before the rates are put up, and the policy of the reserve board is that that is one thing we never discuss with the newspaper man. If he comes in and wants to know if the board has considered any rates, or is likely to do anything about any rates, some remark is made about the weather, or something else, and we tell him we cannot discuss rates at all, and I think we are all agreed it would be very ill advised to give out any impression that any general over ruling of rates was discussed at this conference.

Under this injunction of secrecy the conference adjourned, and thereafter Governor Harding gave out publicity as to the conference, in Senate Document No. 280, 66th Congress. The only thing in this publicity about discount rates is found on page 5 in the following language:

In view of the large volume of Treasury certificates of indebtedness carried by member banks at the instance of the Treasury Department, we believe that rates established by the Federal reserve banks on paper secured by them should not be materially greater than the rates borne by the certificates.

Since the rate of Treasury certificates mentioned in this paragraph was only 5½ per cent, the only indication from this would be that there was to be a reduction of discount rates rather than an increase, so this publicity not only concealed the proceedings of the conference but gave a false impression as to what was actually done. It remained a secret as to the farmers and people generally, but it was not a secret as to the big financial crowd. It was tipped off to them everywhere. They went out immediately, securing long time loans to tide them thru the crash that would surely follow. So far as I know, Henry Ford was the only big financial man that was not tipped off as to the situation.

In talking to a member of the Federal Reserve Board about this conference, he pointed out that while they had

declared for a general deflation policy and had discussed the proposition of forcing it by raising the discount rate, they did not in fact deflate, and produced the record to show that they further increased the loans by over five hundred million dollars instead of decreasing them. I now call attention to the fact that the first resolution I have quoted declared that we were already over inflated both as to prices and as to credit, and then they further inflate five hundred million dollars more after they themselves had decided they were over inflated and that the drastic and indefensible policy of deflation was necessary. There could be only one reason for this further inflation. It was for the benefit of the big financial crowd that had been tipped off as to the situation, and would make it easier for them to secure their protecting loans. In these circumstances this further inflation was a double economic crime. Under this situation things went on all summer. The big crowd were industriously getting their loans and getting ready for the crash. It was October when they came out to Iowa to tell us about this policy. Four public meetings were held in the state, and I attended the last one, at Ottumwa. Mr. McKay, representing the Federal Reserve Board, said that the Federal loan allotment to Iowa was thirty-six million dollars, but he said they had been very kind to us and had loaned us ninety-one million—fifty-five million over our allotment, but the time had come when the people entitled to this fifty-five million wanted it, and we would therefore have to sell our crops and reduce our loans. I asked him who made this allotment of thirty-six million to Iowa for Federal reserve loans—and did not find out; neither have I been able to find out since. Here was George M. Reynolds who sat in that secret conference, had an allotment of eighty millions for his one bank up in Chicago; and one bank down in New York had an allotment of one hundred and forty millions of dollars. But here was Iowa with a

crop at prices then prevailing, worth more than a thousand million dollars, and a Federal reserve loan allotment of only thirty-six million dollars. This allotment was the straw man set up to have an excuse to call our loans down to that amount. The discount rate was raised and they sent the order to the banks to reduce their loans. The banks called in their farmer customers and told them the Federal Reserve demanded a reduction of loans. This forced the farmers to sell their Liberty Bonds and to dump their crops upon the market; and the market broke and there never was such a panic in farm prices in all the history of agriculture.

Secretary Wallace's bulletin shows the decline in land values in the whole United States was almost twenty billion dollars, and Secretary Hoover's bulletin shows the decline in the two crops of 1920 and 1921 were seventeen billion dollars more, making a total deflation upon the farmers of the United States of thirty-seven billion dollars. The Manufacturers' Record says other business was deflated only eighteen billion dollars. Secretary Hoover's bulletin shows that other business was three-fourths in value and agriculture less than one-fourth; therefore, the three-fourths took a deflation of only eighteen billion, while the other one-fourth, agriculture, was forced to take a deflation of thirty-seven billion, or over six times as much in proportion.

During all of these proceedings, E. T. Meredith was Secretary of Agriculture. It was his duty to know about them all, and if he had attended to his duty he would have known and protected the farmers against this calamity, but he never raised his voice or turned a hand in their interest. He says he knew nothing of this meeting, and therefore ignorantly sat in with the Wall Street crowd and helped hand the farmers the greatest panic in the history of agriculture. In my judgment this deflation of the farmers, together with the high cost of credit, is 65

per cent of the cause of the thousand per cent increase in farm bankruptcies as shown by the National Industrial Conference Board.

What is the remedy for this situation? It is intolerable, and is the most important question for the American people since the abolition of slavery. I think there can be no permanent relief for agriculture from its discrimination and oppressive power until we have permission under the law to organize a complete cooperative credit system with cooperative reserve bank and all under the control of the farmers and laboring people themselves. This can easily be accomplished by amending the Intermediate Credit Act and giving it the functions of the cooperative reserve, with all the power of the Federal Reserve, and then giving the country banks permission to become members of it.

In the high cost of transportation, the high cost of credit, and the manipulation of credit I have found three-fourths of the cause of this thousand per cent increase of farm bankruptcies. I attribute the other one-fourth to the patent laws which give a monopoly in prices to the holder of a patent, because of the public utility laws which give a rate of return upon utility capital greater than the power of the American people to produce, and increase of the protective tariff laws that establish a high level of American prices. All of these things increase to the farmer the cost of everything he buys, while his surplus sold in the competitive market of the world, fixes the prices of his own product at the low level of the world market. This situation is entirely unfair to agriculture, and it alone would destroy the prosperity and prevent the progress of agriculture. Relief from this situation can only be had from Governmental assistance because it is produced by the laws of the Government, state and national.

THE ECONOMIC CAUSES[6]

Farm profits are inadequate. That is the main thing wrong with American agriculture. Most other troubles trace back to this source. This situation has resulted in the last five years in the exodus of more than 1,000,000 people from the farms to the cities, in a time when the population of the country increased 7,000,000. Apparently we are destroying our country civilization, which from the days of the "embattled farmers" at Concord has been the bulwark of the nation in times of trial. Is such a policy wise, from a national standpoint, when viewed from the long trend, as it dips into the future and untried years?

Farming represents a capital of $59,000,000,000. The return on the investment last year was about 3 per cent. Five years ago the value of this business, according to the United States Department of Agriculture, was $79,000,000,000. This represents a depreciation of $20,000,000,000 or $4,000,000,000 a year, in a time which has witnessed phenomenal prosperity in every other pursuit. Doesn't this pretty well eliminate the claim—which is always irritating to folks who really know the economics of agriculture—that the farmer's trouble is due to his failure to "write off" his inflation? Just how much, might I ask, is he expected to write off? Are we going to allow this epoch of hard times for farmers to be continued until they depreciate their property 100 per cent. and the last of them have moved to the more profitable refuge of the territory along the great white ways?

For every dollar of national income received by workers in other activities the farmers of the United States receive less than half a dollar per capita, according to the National Industrial Conference Board, which recently concluded a year's study of the agricultural situ-

[6] By Arthur Capper. *Current History.* 24: 189-91. May, 1926.

ation. In the ratio of a dollar of the national income received by other workers the farmers' per capita share, the board's report stated, was as follows:

1920	$0.39
1910	.41
1900	.46
1890	.36
1880	.31
1870	.40
1860	.38
1850	.31

The report of this National Industrial Conference Board, composed of nationally known business and banking executives, shows that in 1924 the average annual net income of the farmer was $730, as against $1,250 for the common laborer, $1,678 for preachers, $1,298 for teachers, $1,650 for Government employes and an average of $1,450 for all walks of life outside of agriculture.

The report declares that if American agriculture continues to lag in comparison with the general economic development of the country it will be a matter of consequence to industry, finance, general business and the nation as a whole. Since 1900 exports of agricultural products have been decreasing and imports increasing. Production of farm products has not kept pace with the population growth. The board declares that this weakened position in meeting foreign competition at home and abroad has resulted from a tendency of expenses to rise more rapidly than prices received by the farmer for his crops. It points out that overhead capital costs, including taxes and interest, between 1880 and 1900, increased 605 per cent.; from 1900 to 1910 the increase was 100 per cent., and it was nearly 600 per cent. from 1900 to 1920. Since 1900, the report states, farm labor cost has gone up 90 per cent. Between 1900 and 1920 there was an increase of 116 per cent. in the operating costs per unit of production, covering materials and products purchased by the farmers. While combined costs per unit of product

rose more than 300 per cent. in twenty years, the report states, wholesale prices of farm products increased only 120 per cent. The direct result of this is that the farmers are working on a narrower margin of profit and their incomes have been steadily decreasing.

The average earnings of the people engaged in farming is 23.1 cents an hour. Factory workers get 56.1 cents, railroaders 58.3 cents, anthracite miners 83.4 cents, workers in the building trades $1.05.

Farmer at Economic Disadvantage

The report of the National Industrial Conference Board indicates the necessity for giving constructive attention to the problems of agriculture, some of which today are acute. The farmer is fighting an unequal battle, because he is not strongly fortified to resist unfavorable marketing conditions and has but little control over the sale of his production, and because so far he has been unable to act as a unit. This industry is so essential to the prosperity of the nation, so vital to all persons in other industries, that it should be given every help until it is placed firmly on its feet. Agriculture does not wish to be patronized or subsidized. All it asks is a square deal and an opportunity equal to that given other industries to make good. If it has the same chance it will do as well.

Let us examine the situation from the standpoint of index prices. If we take 1913 as the base of 100, we find that in 1924 wheat was selling at 139 per cent., corn 145, hogs 100, cattle 96. During the same year some of the main things a farmer must buy had a percentage like this: Clothing, 190.9 per cent.; building material, 175.1; household furnishings, 172.8, and metals, 134.5. The average index of all agricultural products in 1924 as compared with 1913 was 134 per cent. The average for non-agricultural products in the same year was 161.6.

Thus the real trouble stands disclosed—a differential of 27.6 against farmers. And let it be proclaimed from

the housetops that this disadvantage is not due to the farmer's "extravagant habits," nor to his "improvidence," nor to "too many automobiles," nor to "too much instalment plan furniture," nor to "too many bathtubs." Nor to any of those things to which a farmer's business troubles are not infrequently so glibly attributed by people who are either ignorant or who wish to mislead the general public. This adverse position is not due to too much of anything—for the farmer has not had too much of anything in the last five years except grief—it is due to too small proceeds when he sells his commodities.

The farmer thus stands revealed in his economic disadvantage. He cannot, under the existing system, be assured of the cost of production, yet by legislative fiat we have decreed that railroads shall have a return of 5.75 per cent. on their investment. Moreover, we have stabilized the manufacturers' prices and profits and labor's wages by protective tariffs, and we have protected labor in its entirely proper enjoyment of the American wage and the American standard of living by drastic immigration restrictions.

Yet there is a disposition to criticize the farmer when he asks the Government to give the farming industry the same sympathetic consideration, it has repeatedly, and in the main entirely properly, given other groups in the national community. He is entirely too frequently described as a "radical." Nothing is further from the truth. The Western farmer is not "radical." In general the Western farmer is a sober, clear-thinking, straight-voting kind of man; he is no more radical in his thinking than is the average business man. The farmer is simply determined that his business shall be put on a more dependable and stable basis. In bringing this about he should have the earnest cooperation of every thinking citizen. He is asking for no special favors, no subsidies and no paternalistic experiments. He is merely asking equal consideration. Surely none will deny that he is entitled to that.

In getting down to an item-by-item study of the causes for the economic débâcle of agriculture we find that to one evil—excess or surplus production—may be traced some of the most serious ills. It is largely responsible for the symptoms of inadequate returns, discontent, discouragement, debt and the inability to make progress because of a lack of means, so evident in the farming industry.

When there is a surplus produced of any crop above the needs of the home market, this excess production, of 10 to 20 per cent., or perhaps less, places the price for the whole crop on a world level. We have a tariff on wheat, for example, of 42 cents a bushel. Obviously, it would have no chance to function when we are exporting the great bread grain, for there would be no imports. Meanwhile the farmer must continue to buy in a protected market. And right at this point there is a place for action.

THE GREATEST MENACE TO AMERICA[7]

The greatest menace to the national prosperity and general welfare of the United States is not bolshevism. It is not socialism. It is not capitalism. It is not imperialism. It is the alarming decline of American agriculture and the astounding migration from the farms to the cities. Official figures of the Department of Agriculture disclose the fact that TWO MILLION persons moved from American farms to American cities during the year 1922. This is greater than the total populations of the six states—Arizona, New Mexico, Montana, Nevada, Utah and Wyoming. It is twice as great as the flood of immigration which used to pour into the United States annually from Europe before the bars were put up. It is probably the greatest movement of population in the history of the world. The Department of Agriculture says

[7] By Basil M. Manly, director, People's Legislative Service. 1923.

that it was in part offset by a movement of 880,000 from the cities to the farms, so that the net loss to agriculture was only 1,200,000. But this is in part an illusion, because all experience has shown that only a small proportion of those who go from the cities to the country remain there permanently, while it is notorious that the rural population when once engulfed in the city's maelstrom seldom returns to the farm. Moreover this enormous movement from the cities to the farms merely emphasizes the condition of unrest and dissatisfaction which exists in all parts of the United States among the producing population.

The farmers are going to the cities because they have been bankrupted and rendered destitute by the deflation of agriculture, and because they imagine they can improve their lot in the industrial centers. For the past five years they have been fed on false propaganda about the huge wages paid to railroad and industrial workers. They have not been told these high wages, so far as they are true, apply only to a handful of exceptionally skilled or unusually situated workmen, and that the vast majority have not earned enough in the past two years to pay for the subsistence of their families on even the miserable standards to which they are accustomed. A fair sample of this lying propaganda appeared in the newspapers last week. Big headlines announced: "COKE WORKERS USE AIRPLANES TO GO TO WORK." The small type underneath told how one alleged coke worker had bought an airplane, but intimated that it was likely to become a habit among the coke workers because they were earning such big money. Lowell Mellet, one of the most experienced and reliable reporters in the United States, went to the coke regions to investigate. He discovered the truth. The general superintendent of one of the coke companies, an Englishman formerly in the air service, had bought an airplane. But, according to Mellett's story, the real coke-workers, the poor devils who pull the flam-

ing coke from the ovens 10 to 12 hours a day, are almost in destitution because they lost their strike for better conditions last year. There are today probably a million farmers and white-collar workers, who read the original story and did not read Millet's exposure, who believe that if they could just get a job in the coke industry they would soon be on easy street and own an airplane or at least a Rolls-Royce. Poor dupes of a perverted press!

Although the farmers have been thus grossly deceived regarding city conditions, this is not the fundamental cause of their migration. They had to move. Millions were utterly ruined by the crash of agricultural prices in 1920 and 1921. In county after county, in the Northwest and South particularly, more than half of the farms were sold for taxes. Page after page of the county weeklies during the past year have been filled with tax sale notices of once prosperous farms. Think of it! Men and women past middle age, thrifty and industrious who counted themselves worth ten, twenty, thirty thousand dollars in 1919, sold out for taxes in 1922 and evicted from their old homes. Where could they go? To the poorhouse, to the insecure and bitter life of a farm laborer, or to the city. So hundreds of thousands, facing this miserable choice, have sold their little furniture and the few personal effects they were able to save from the wreck of bankruptcy and have come to the city.

For the present at least, in the high tide of an industrial boom, the city may absorb them. But what of the future? What will happen when the factories, responding to the dwindling demand from the country for manufactured products, begin to bank their fires and cut millions from their pay-rolls without a day's notice? Then there will be unemployment and distress, far worse than we knew in 1920, when 5,000,000 men and women were out of work. It will be worse even than the dark days of the "hungry nineties" when the jobless roamed the streets, hunting work at any price, and there were

soup kitchens in every city. It will be worse for this reason. In the nineties, though factories were closed down, food was cheap and a few pennies would feed a family. Now, when the full effects of this agricultural migration are felt, food will be scarce and dear. What a tragedy that will be! Millions of men out of work and food selling at famine prices, because the country-side has been deserted by farmers seeking to better their lives in the cities. Ask the people of Moscow and Vienna what this means. They know.

This movement from the farms to the cities is, therefore, particularly a menace to the workers in the city factories and on the railroads. It is a greater menace than the now nearly defunct "open-shop" drive. It is a greater menace than unrestricted immigration. The industrial workers have succeeded in checking the deluge of foreign immigration, but what of this greater tide that is moving from the country to the cities? It cannot be checked by putting up the bars, by passing immigration laws, establishing "quotas" and "selective tests." It can be checked in only one way. That is by restoring agricultural prosperity, by stabilizing prices at a decent level, by making the farm a place where a man can settle down to a life of industry with the assurance that if he produces the crops which the nation needs, he will receive enough for them to enable him to buy enough of the city's products to support his family in health and reasonable comfort and give the children an education.

This cannot be accomplished by the absurd method, which the Harding Administration has made notoriously famous, of enabling the already bankrupt farmers to plunge further into debt. It cannot be accomplished by agricultural conferences like that which Secretary of Agriculture Wallace called last year, which was dominated by such agricultural authorities as Julius H. Barnes, grain gambler and President of the U. S. Chamber of Commerce, J. Ogden Armour, the Wall Street bankers

and the railroad presidents. It cannot be accomplished by any kind of fake legislation. Only radical measures will be effective. We must go down to the roots of the trouble. That is what "radical" means. What are the roots of this trouble? They lie in the monstrous system of distribution, which we have allowed to grow up in America, where the farmer gets only thirty-seven cents out of every dollar that the city worker pays for farm products, while the city worker gets only thirty cents out of every dollar that the farmer pays for factory goods.

Thus the farmer and the city worker have one common enemy. That enemy is the monopolistic group which owns, controls and operates this monstrous system of distribution. By combinations, by consolidations, by price agreements, by manipulation of markets, by restriction of production, by stock watering, by multiplication of middlemen, by every device through which an additional dollar or penny of profit can be squeezed out between the producer and the consumer, they have created this frightful condition. They are destroying the American nation by draining off its substance in the form of profit to be squandered in wastefully luxurious living or in the promotion of imperialistic exploitation in other countries. This system must be destroyed and a new system of cooperative distribution, for service and not for profit, must be builded in its place. This is a huge undertaking, but it is far less difficult in its essential elements than the organization of this nation for the Great War.

The farmers alone cannot accomplish it. They do not have the power, either politically or economically. They must have the help of the industrial workers. By this I mean the workers not only in the factories, but also on the railroads and in the mines, wherever men earn their living by performing useful service. I mean not only the manual workers, but also the so-called "brain workers," whose supineness in the face of their continued exploitation raises a serious question as to whether they have any

brains. I mean, in fact, all those Americans who do not share in the gains of this monstrous system which converts two-thirds of every producer's dollar either into profits or into waste. I do not believe that this can be accomplished at one great stroke. The world cannot be made over in a day. But I do believe that it can be accomplished within a relatively short period of years by a series of carefully planned and wisely administered measures, that will move forward step by step toward the ultimate goal. Immediately, and perhaps from time to time during this period of progress toward a real industrial democracy, it may be necessary to put into force what the cynics are pleased to call "paternalistic measures," such, for example, as stabilization of prices by government purchase and sale of a part of the crops. But why shrink from the word "paternalism"? A wise father strives to make all his children self-reliant and self-supporting. But, if through misfortune or even through misdoing, some of them suffer reverses, he does not leave them to save themselves, and thus endanger the spirit and welfare of the whole family. No, the wise father goes to their rescue and helps them get back on their feet.

Just so this great nation, seeing its children of the country-side in distress, the prey of money sharks, grain gamblers and other parasites, should go to their rescue and give them every assistance not only to restore their independence and prosperity, but also to build for the future on a stabler foundation and with wiser plans than they have ever known before.

BRIEF EXCERPTS

Bread is selling for war prices while wheat is back on the pre-war level.—*Social Progress. p.* 42.

The farmer is essentially a capitalist.—*Carlton P. Fuller. Bankers Magazine.* 108:883. *June,* 1924.

It has been computed that Texas alone, intensively cultivated, could feed every person on this planet. —*Editorial. New York Tribune. November* 17, 1921.

Farming in the northwest, and in parts of the south, is virtually, and to a considerable extent actually, in receivership.—*James W. Quigley. Nation.* 121 : 140. *July* 29, 1925.

The farmers were never, within the memory of middle-aged men, so depressed or so discontented as they now are.—*Herbert Quick. The Real Trouble with the Farmers. p.* 2.

Our agriculture is now going through a crucial transition in its character and in its relationship to our national economic life.—*The Agricultural Problem in the United States. p.* V.

A good deal of the commiseration over the farmer's lot arises from political sources and is therefore to be heavily discounted.—*Editorial. The Bankers Magazine.* 112 : 359. *March,* 1926.

Farmers need a high price level, in order to pay off their debts in dollars of the same value as those in which the debts were contracted.—*Donald R. Murphy. New Republic.* 47 : 275. *July* 28, 1926.

Concerning the grim reality of the present crisis in agriculture there can be no difference of opinion among informed people.—*Warren G. Harding. Report of the National Agricultural Conference.* 1922. *p.* 6.

The American farmer is not a failure. He has had bad times and good times along with the rest of us, and his times today are looking up rather than down.—*Henry J. Allen, former governor of Kansas. Nation's Business.* 14 : 21. *September,* 1926.

In 1913 a suit of clothes cost 21 bushels of wheat; in 1923 31 bushels of wheat bought a suit of clothes. In 1913 a wagon cost 103 bushels of wheat; in 1923 it took 166 bushels.—*Thomas D. Schall. Congressional Record.* 65: 9019. *May* 20, 1924.

The trouble with the farmers' revolt is not that they do not have serious grievances, or that they ask for too much. The trouble is that their evils are more deep-seated than they realize; they do not ask for enough. —*Editorial. New Republic.* 37: 50. *June* 2, 1926.

Despite the relative or actual decline in the number of those engaged in agriculture, the volume of production is well sustained—better farming, the use of fertilizers, and improved machinery accounting for this. —*Editorial. The Bankers Magazine.* 12: 359. *March,* 1926.

For five years American farmers have been struggling for equality of opportunity. They have asked for conditions which would make the labor employed on farms as profitable as the labor of other men engaged in other industries.—*Bernard M. Baruch. Collier's Weekly.* 75: 25. *January* 17, 1925.

The farmers were not the cause but the victims of the land speculation which carried land values in some regions up to impossible heights in 1919 and 1920. The land boom was nourished mainly by business men and bankers in country towns.—*Reports of the Secretary of Agriculture for* 1924. *Agriculture Yearbook,* 1924. *p.* 20.

Dividend checks aggregating $8,655,000, the largest quarterly disbursement in the history of the Pennsylvania Railroad; will be mailed to stockholders of that road today. This distribution represents the first payment

under the Pennsylvania's new dividend rate of 7 per cent. annually. Heretofore the rate has been 6 per cent. —*New York Times. November* 29, 1926.

The problem of getting enough food to feed the nation is not a problem of agriculture to-day. . . The number of people on farms in the United States had not increased more than ten per cent between 1900 and 1920. The output of those farms, measured in physical terms, had increased by forty per cent. [and the total population of the country increased forty per cent.].—*David Friday. Economic World. n.s.* 28:149. *August* 2, 1924.

The farmer is not nearly so likely to suffer from a short crop as from a bumper crop. While the corn crop for last year was 25 per cent larger than the crop for the preceding year, its total value was $300,000,000., or 14 per cent, less. And again, 323,000,000 bushels of potatoes were worth more than twice as much to the growers in 1925 as the 425,000,000 bushel crop of 1924. —*Frank O. Lowden. Manufacturers' Record.* 89:61. *March* 11, 1926.

The fiscal year 1925-1926 has been one never surpassed in our history in the volume of production and consumption, in the physical quantity of exports and imports, and in the rate of wages. There has been practically no unemployment. On the whole the country was able to maintain the highest standard of living in its history, a standard far above that in most other countries of the world at this or any other time.—*Herbert Hoover. Fourteenth annual report of the Secretary of Commerce. p.* 42.

One of the most pitiful sights in the world today is a row of gang-plows, harrows, binders, and a threshing machine or two standing out in the rain and snow on a farm in our northwest. The machinery cost to the aver-

age wheat farmer of the northwest is at least three times as much as it should be. This alone is enough to keep him in debt. Ignorance and carelessness in the use of farm machinery is one of the weakest links in our entire American economic system.—*Frank Bohn. Forum.* 73: 200-1. *February,* 1925.

Agriculture is not organized to bear the shock of economic blunders as some other branches of industry are, so injustices and inequalities that may be wrought against it have a far more depressing effect. It is the unorganized state of the farmer and the independence that is born of his environment that render it all the more necessary to see that organized industry and organized labor do not take advantage of him.—*Samuel R. McKelvie, former governor of Nebraska. Nation's Business.* 14: 20. *September,* 1926.

Before the war the United States sent abroad interest on foreign investments in this country to the annual value of $200,000,000. These interest charges were paid largely with exports of wheat, pork, and cotton. Since the war the interest payments are coming the other way and consequently Europe's buying power for farm products has been badly depressed. The high tariff on industrial goods of course aids in this situation by keeping out those manufactured goods in which European countries would be able to pay their debt and so gain further credit for the purchase of farm products.—*Donald R. Murphy. New Republic.* 47: 274. *July* 28, 1926.

The plight of the farmer is a menace to the prosperity of the entire country. Thirty-three millions of people in the United States are not able to purchase commodities produced by other workers of the country in quantities commensurate with our almost unlimited production power. As a consequence, mills, mines and factories

are idle part of the time and our greatest and most remunerative market, the home market, is impaired. —*William Green, president, American Federation of Labor. Public Affairs.* 7:3. *November,* 1926.

Fourteen and one-half million dollars were added to the annual wages of virtually 91,000 employes of fifty eastern railroads by a railroad arbitration board decision in New York yesterday. The decision of the arbitration board granted a 7½ per cent. increase to the eastern trainmen. The employes had sought a 19 per cent. increase, and the railway companies had contended that no wage increase was justified at this time. The decision brings increases of 35 to 50 cents a day to the trainmen. —*Cleveland Plain Dealer. December* 3, 1926.

The condition of agriculture in the United States is due to an upsetting of former conditions. For this the world war was largely but not wholly responsible. Markets in Europe are not what they once were. And such markets as exist in Europe are much more largely supplied than formerly both by production at home and by importations from South American countries. Within the past decade the agricultural products of Argentina and Brazil have become real competitors with those of the United States in the world's markets. *Editorial. Outlook.* 140:13. *May* 6, 1925.

Nineteen banks in Palo Alto and Kossuth Counties (Iowa) were closed today by agreement in an effort to halt what was termed unwarranted withdrawal of funds that threatened disaster. The closed banks include twelve under State charter, six national and one private institution. Their directorates decided upon the simultaneous closing when a general anxiety on the part of depositors developed over the recent closing of a string of banks in Clay County. The closing of a national bank in

Clarinda had no connection with the Palo Alto and Kossuth difficulties.—*New York Times. November 27,* 1926.

Agriculture will probably be affected adversely for some time to come by the transition through which we are passing from a favorable to an unfavorable balance of trade, so called. The present position of the United States as a creditor nation encourages imports and discourages exports. Exporting industries are therefore adversely affected unless they happen to produce those commodities which will be in increased demand in the domestic market owing to the enlarged purchasing power consequent upon becoming a creditor nation.—*Alvin H. Hansen. Journal of Political Economy.* 33:215. *April,* 1925.

Although the rate of commercial failures is absolutely much higher than the rate of farm bankruptcies, the rate [of commercial failures] has shown little variation from year to year since 1910, while the rate of farm bankruptcy rose steadily and rapidly throughout the period up to the middle of 1925, when it was more than ten times as high as in 1910-1911. Farm bankruptcies increased at a more rapid rate than business failures from 1910 to 1916, diminished less rapidly from 1916 to 1919, and have risen faster since. They have increased markedly since 1922, while commercial failures have declined.—*National Industrial Conference Board. The Agricultural Problem in the United States. p.* 61.

All the distress caused by the low price of corn during the past year was suffered by just about one out of six of the total number of corn growers in this nation. This limited group consists of men who depend for their livelihood upon the sale of cash corn. According to the United States Census of 1920, of all the farmers in the nation reporting the production of corn, only 14.2 per cent

reported sales of corn from the farm. That was one out of seven. Last year the production of corn was a little greater than in 1919 and the consumption by hogs has been less; so one out of six is about the proportion of corn growers who have lately been selling corn. It is only the sellers of corn who complain when the price is low.—*Malcolm C. Cutting. Country Gentleman.* 91:8. *November,* 1926.

The biggest auction sale in history. Public sale of the Chicago, Milwaukee & St. Paul Railroad last week is so described. The railroad was bought by Kuhn, Loeb & Co., for $140,000,000. The buyers also assumed indebtedness of $181,370,000. Add those figures and you get $321,370,000. Railroad rates are supposed to be based on the value of the railroad. The Interstate Commerce Commission allows rates that will permit a return of 5¾ per cent on a fair valuation of the property. Well, there is the valuation—$321,370,000. It is more than a valuation—it is the actual value, the amount the property could be sold for—$321,370,000. Previously this railroad had been "capitalized" at $634,000,000. Not only that, but it had been "valued" at $705,000,000. The actual money invested by the new owners is $321,370,000—as mentioned three times already. On what "capitalization" or "valuation" will the railroad be allowed to base its rates? —*Cleveland Press. December* 4, 1926.

A great manufacturing industry can consolidate under the ownership of a single corporation with a multitude of stockholders, a great number of originally separate establishments, and thus effect economies and concentrations, and acquire for itself a power in the markets where it must buy, and in the markets where it must sell, such as have not been made available to agriculture. The farmer is the most individual and independent citizen among us. He comes nearest to being self-sufficient; but

precisely because of this he has not claimed for himself the right to employ those means of cooperation, coordination, and consolidation which serve so usefully in other industries. A score or more of manufacturers consolidate their interests under a corporate organization, and attain a great increase of their power in the markets, whether they are buying or selling. The farmer, from the very mode of his life, has been estopped from these effective combinations; therefore, because he buys and sells as an individual, it is his fate to buy in the dearest and sell in the cheapest market.—*Warren G. Harding. Report of the National Agricultural Conference.* 1922. *p.* 8.

The outstanding development in the agricultural situation during the past month was the fall of cotton prices to the lowest levels in five years. Accompanying rapid improvement in the condition of the crop, as shown by the Government's mid-September estimate of 15,810,000 bales, compared with 15,166,000 bales on September 1st, and a final yield of 16,104,000 bales last year, spot cotton broke over 4 cents a pound, reaching 14.70 on September 28, with the October option down to 13.91 at the low.

The judgment of the market is that another large crop is in prospect, which, on top of last year's big crop, may increase the burden of over-production at the present rate of world consumption. Under the influence of the high prices caused during the last few years by the depredations of the boll weevil, the South has been steadily expanding the acreage devoted to cotton until in 1926 the plantings topped all previous years with a total in excess of 48,000,000 acres. Sooner or later, with a good yield, the South was bound to suffer the consequences of these heavy plantings.—*Economic Conditions: Monthly Letter of the National City Bank of New York. October,* 1926. *p.* 179.

According to the price tables the agricultural staples have a lower purchasing power in relation to other com-

modities than one year ago, standing on October 15 at 130 in comparison with the pre-war level of 100, whereas one year ago they stood at 143. All commodities, including farm products, according to the Bureau of Labor price tables, averaged 150.5 in September, 1926, against 159.7 in September, 1925. The decline in cotton has been the principal factor in the decline of the farm group. Wheat at Chicago is about 5 cents per bushel, or 3.4 per cent under the price of a year ago, but as the wheat crop is larger by 174,000,000 bushels, or 26 per cent, the returns are much larger. Corn and oats in the Chicago market are about 5 cents above last year's prices, with slightly smaller crops. The Fall season has been very wet in the Middle West and grain in the fields has suffered some damage, but on the other hand pasturage is unusually good. Outside of the cotton situation we do not think that agriculture is in a worse position than a year ago; but agriculture has been at a disadvantage since 1919, and it is disappointing that after some recovery the industry as a whole should show lower returns than last year.—*Economic Conditions. November,* 1926. *p.* 200.

Aided by the sound principles adopted by the Government, the business of the country has had an extraordinary revival. Looked at as a whole, the Nation is in the enjoyment of remarkable prosperity. Industry and commerce are thriving. For the most part agriculture is successful, eleven staples having risen in value from about $5,300,000,000 two years ago to about $7,000,000,000 for the current year. But range cattle are still low in price, and some sections of the wheat area, notably Minnesota, North Dakota, and on west, have many cases of actual distress. With his products not selling on a parity with the products of industry, every sound remedy that can be devised should be applied for the relief of the farmer. He represents a character, a type of citizenship, and a public necessity that must be preserved and afforded every facility for regaining prosperity.

The distress is most acute among those wholly dependent upon one crop. Wheat acreage was greatly expanded and has not yet been sufficiently reduced. A large amount is raised for export, which has to meet the competition in the world market of large amounts raised on land much cheaper and much more productive. —*President Coolidge. Message to Congress, December* 6, 1923. *p.* 12.

According to the latest estimates of the Department of Agriculture, the United States will this year produce a cotton crop of some 17,000,000 bales, which would be the largest crop in history. It would be nearly 1,000,000 bales larger than the crop of last season, or nearly twice as much cotton as was raised during the seasons of 1921 and 1922. The petitioners are said to be desirous of holding some 3,000,000 bales off the market, which, if actually accomplished, would bring the marketable crop down to a figure equal to some of the low-crop seasons. According to the records, cotton usually reaches its lowest price during August and September. That is the season when most of the cotton is sold by the planter. Last year about this time cotton was selling for twenty-three cents on the farm. A decline to less than fifteen cents within twelve months seems to be a radical drop. This is a problem much broader than the mere question of the present price of cotton—it is one in which the whole system of marketing is put to test. It is a problem much broader than the mere extension of banking accommodations to a group of cotton planters—it is one of rendering to the producers a just part of the price ultimately paid by the consumers.—*Editorial. Christian Science Monitor. October* 18, 1926.

Intimately connected with the whole question of rates and earnings is the recent demand of the eastern railway trainmen for a 20 per cent wage increase. At the present time basic wage rates of the trainmen stand within

5 per cent of the peak level of 1920. Since 1920 this class of labor has received but one wage cut, that amounting to 10 per cent, half of which was subsequently restored by agreement between the roads and the unions. Moreover, under the dual system of calculating pay by hours worked or mileage run, which has permitted trainmen to benefit greatly by the greater speed of train operation in the past few years, actual earnings are not only considerably above the basic rates but are running even higher than at the 1920 peak. It is on top of these earnings, already high in comparison with past remuneration, and in comparison with the general price level, that the trainmen are now asking for an additional 20 per cent. With commodity prices now moving downward the agitation for high wages is contrary to the economic trend of the times. Business and agricultural interests complain bitterly of the high freight rates, but frequently fail to see the impossibility of arising railway wages and lowering railway freight rates at the same time. The farmers' organizations, while demanding lower freight rates, generally have supported political agitators who were advocating both higher wages for railroad employes and lower freight charges.—*Economic Conditions. October,* 1926. *p.* 187.

The farmer is not receiving his fair share.—*Calvin Coolidge. Address before the National Republican Club at New York City. February* 12, 1924. *p.* 3.

Secretary Jardine's report, among other things points out that there was a net loss of 479,000 in the farm population of the country in 1925.—*New York Times. December* 10, 1926.

Extra dividends were announced yesterday by several firms. The largest of these was of 19½ per cent., declared on the preferred stock of the Shaffer Oil and Refining Company.—*New York Times. December* 16, 1926.

The movement of population from farm to cities, towns and villages in 1925 is estimated [by the Secretary of Agriculture in his annual report] to have totaled 2,035,000 persons. The reverse movement to farms is estimated to have been around 1,135,000 persons.—*New York Times. December* 10, 1926.

Big business organization, which has enabled industry to effect enormous economies in both production and distribution, is advocated for the 6,500,000 American farmers by Secretary of Agriculture William M. Jardine in his annual report made public today. He would have the farmers establish separate business organizations for each basic farm product.—*New York Times. December* 10, 1926.

Before 1910, so wise a man as James J. Hill expressed the opinion that in the near future we should be importers of wheat. Under normal conditions Mr. Hill might have been correct, but the World War intervened. The enormous demand from abroad brought the high prices which so stimulated production that it reached a new record in amount and value. Without this service, famine undoubtedly would have prevailed over wide areas. This resulted in a great inflation and in an overproduction, reaching its summit in 1919, which was followed by the inevitable deflation of 1920 and 1921. The best economic authority tells us this was inevitable.—*President Coolidge. Address before the annual convention of the American Farm Bureau Federation at Chicago. December 7*, 1925. *p.* 4.

AFFIRMATIVE DISCUSSION

THE REMEDY[1]

The question is, How can the unjust disparity, the inequality in price between agricultural commodities and other commodities be overcome? It is a simple matter. There is nothing complicated about that, nothing unjust, unusual, or paternalistic about it. If the six and one-third million farmers are unable to effect a 100 per cent pool and to finance a market agency necessary to accomplish the desired results, why let us do as was done in the establishment of the Federal reserve banking system and in other instances—create and finance a Federal agency and clothe it with power to help producers to market agricultural commodities, as organized industry does, selling part for domestic consumption at the American price level and part abroad at the world price. In other words, market the farmers' commodities so as to make the protective tariff effective to the farmers as provided in the proposed bill. There is another way in which prices can be equalized. If the prices of certain commodities are high because of organized industry, restricted production, or pooling to boost the prices, all that is necessary to equalize them with farm prices is to stop such practices, and thus lower the price of high-priced commodities. But is it not far better to make it possible for the farmers to organize to pool their whole surplus production and market it as organized industry does, and thus bring the average price up to the level of other products? In order to accomplish that, if it were

[1] By Gilbert N. Haugen. *Congressional Record.* 67: 8697-8. May 4, 1926.

possible for all farmers to establish the 100 per cent pool, no legislation would be required. We have a law permitting collective bargaining by farmers. That was made legal by one of the first amendments to the food control act, and after the food control act expired at the termination of the war, the Capper-Volstead Act, permitting collective bargaining by the farmers, was enacted, but, as before stated, the farmers are not able to organize at 100 per cent pool. The chances are that they may never be able to effect an organization to that extent. Yet anything short of a 100 per cent pool and the establishment of an embargo or an adjustment of the tariff to eliminate foreign production, the desired results can not be obtained.

For example, assuming the wheat crop to be 800,000,000 bushels—700,000,000 bushels required for domestic consumption and 100,000,000 bushels available for export—and the Winnipeg price—it representing the world price—to be $1, and if 50 per cent of the growers should attempt to pool their whole production and to advance the price of their 50 per cent production, or 400,000,000 bushels, to cover the 42-cent tariff and 8-cent transportation to port of entry, nonmembers would, of course, take advantage and sell their 400,000,000 bushels at $1.50, the maximum price. The pool would have the domestic market for only 300,000,000 bushels and would be compelled to sell 100,000,000 bushels on the world market at $1 a bushel, or at a loss of $50,000,000, to be distributed over the 400,000,000 bushels, or 12½ cents a bushel, which would net the pool $1.37½. On the other hand, in case of a 100 per cent pool the loss would be only one-half of the 12½ cents, or 6¼ cents.

In order to accomplish the desired results, of course, an embargo or adjustment of the tariff would be required. Otherwise, if the Winnipeg market should drop 20 cents a bushel, naturally the American millers would purchase and grind the Canadian wheat, and as a

result the pool might find itself long on wheat and short on cash. Hence, a 100 per cent pool and an embargo or adjustment of tariff are required. Without the two the desired results can not be obtained. The two go hand in hand. If a 100 per cent pool and adjustment of tariff can not be accomplished the remedy would be, when prices of agricultural commodities are low and the prices of other commodities are high because of our protective-tariff system and restricted-immigration policy, to equalize prices through the adjustment or repeal of our protective tariff and immigration laws. If the prices of commodities are high because of a high wage scale or the high rate of duty, all that is necessary is to adjust or repeal our immigration and protective tariff laws. If so, the prices will go down. If the gates are thrown wide open to foreign production and labor, prices will drop.

We will then be on the level with other nations. There is no question about that. Personally, I am absolutely opposed to any such procedure. Billions of dollars of debts were incurred on the inflated basis. In my opinion debts thus contracted should be liquidated on the same basis. For instance, if a farmer now purchasing a binder at the current inflated prices gives his note for $230, with the current price of corn at 50 cents, it would require 450 bushels of corn to pay for the binder. If the price of corn is deflated, together with other commodities, 50 per cent, it would require 900 bushels to pay the farmer's note, which to me seems unjust and unfair. Personally, I believe in restricted immigration and in a protective tariff system, one just and fair to all concerned, one to encourage American industry and to benefit labor, one that will result in the common good of all the people, and legislation to make our immigration and tariff laws effective so far as possible to labor and every worthy and deserving industry, in order that we may have the fullest development of every worthy and legitimate enterprise.

A FARM BOARD TO CONTROL SURPLUS CROPS AND STABILIZE AGRICULTURE[2]

In the industrial centres of our country there is a general air of well-being. The standard of living among working men is higher than ever achieved before by any people. The returns upon capital are generous. A "new high record" upon some security has become a familiar phrase from day to day in recording the activities of the Stock Exchange.

The total wealth of the United States exceeds that of England, France, and in fact more than that of half the Continent of Europe. Of a total world wealth estimated at $1,000,000,000,000 we hold 40 per cent. We have become the creditor nation of the world. The press is filled from day to day with panegyrics upon our "unexampled prosperity." I rejoice in all this.

Suppose, however, you should awake some morning and find in The Times a story under these headlines: "Interest Upon Corporate Capital Investment Reduced From 11 per cent. to 3.5 per cent.; Wages in Industry Reduced From $1,250 to $648; Wages of Those Engaged in Transportation Reduced From $1,570 to $648." What a startled and panic-stricken world you would look out upon! And yet you would only behold a world reduced to the present status of agriculture.

Favorable Showing Explained

According to the July issue of Crops and Markets, published by the United States Department of Agriculture, in the year ending June 30 last the farmers of America earned 3.5 per cent. upon their net capital investment. They received for their services, labor and management (including family labor) $648 each. This, it is true, is a slight improvement over the preceding year,

[2] By Frank O. Lowden. *New York Times.* October 3, 1926.

when they earned 3.2 per cent. upon their investment. It is considerably better than their average earnings for the last six years, for during that period they earned an average of exactly one-half of 1 per cent. upon their capital investment. The more favorable showing for last year was reached only because the farmer's net investment has shrunk from $47,000,000,000 in 1919-1920 to $32,000,000,000 in 1925-1926.

In other words, during this period the farmers have lost about a third of their capital; and upon the remainder they are receiving less than a third of the returns which other industries enjoy. Even this does not tell the whole story. For the department, in arriving at its figures of farm earnings, did not take into account depreciation upon buildings. Neither did it take into account the depletion of the soil.

A Widespread Evil

The National Industrial Conference Board, in its admirable "Report Upon the Agricultural Problem," calls attention to these items. If depreciation and depletion had been figured as they are in other industries the farmer's return would almost, if not quite, have disappeared. There are more people engaged in agriculture than in manufacturing industries, in transportation and in mining combined. From the last census it appears that a larger portion of our national wealth is invested in agriculture than in the manufacturing industries and transportation and mining combined. If, therefore, the story I have supposed above should be written and printed in the daily press it would involve no larger part either of our population or of our wealth than is actually involved in the agricultural depression of today.

The report of the Government above referred to discloses other interesting facts. The gross income of the farmers of America from all sources increased by a little

more than $400,000,000. There were decreases in the amount received from some crops and increases in others. One unfamiliar with the subject would naturally suppose that the increase in revenue occurred where there was an increase in the size of the crop. Quite the reverse is true.

For instance, the corn crop, as compared with the preceding year, increased by about 600,000,000 bushels. The value decreased by more than $300,000,000. The cotton crop increased by more than 2,400,000 bales. The amount received by the farmers for this larger crop was almost $40,000,000 less.

Fortunately for the farmers nature was not equally kind to all the things they raised. For instance, it was an adverse season for potatoes. There was a decreased acreage in potatoes, due to the low prices of the preceding year. And then early frosts intervened. The result was that the yield was reduced from 425,000,000 bushels to 325,000,000 bushels. This reduction of 100,000,000 bushels added to the total value something like $340,000,000. This gain in the value of the potato crop about offset the losses in the two great staples of corn and cotton.

Under present conditions we have this anomaly: the farmer is not nearly so likely to suffer from a short crop as from a bumper crop. As Professors Ely and Morehouse, in "Elements of Land Economics," recently published, say:

> A general good season may bring a bumper crop, a fact that is heralded by the metropolitan press as a sign of prosperity of the farmer and of the nation. As a matter of fact, a bumper crop usually brings ruinously low prices.

During the growing season, when weather conditions are most favorable, the fact is regarded as of good omen. Business responds to the promise of a bountiful crop; the railroads foresee a larger tonnage; industry anticipates an abundance of food at reasonable prices. There is reason, therefore, for the optimism which prevails in commercial

circles when there is just the right amount of heat and sunshine and rain.

The farmer, too, is glad when he sees the kindly earth responding generously to his efforts to wring from its capricious bosom sustenance for man and beast. His gladness, however, is tempered with the bitter thought that these seeming blessings of a kindly Providence may bring him ruin.

He is always confronted with this dilemma; if he produces too little, men and women and children will go hungry and naked; if he produces too much, the surplus, for the time, may break the price he receives for his product to a point where it would have been better for him if he had let his fields lie fallow throughout the year. Those who tire of the farmer's complaint say that he must adjust his production to the probable demand, just as industry does. While progress can, no doubt, be made through farmer organizations to better coordinate supply with demand, he cannot avoid the occasional surplus.

In 1924, for example, the corn crop amounted to 2,300,000,000 bushels. The following year, or 1925, it was 2,900,000,000 bushels. And yet the 2,900,000,000 bushels were worth less, according to the Government, by $300,000,000 than the smaller crop of the year before. Suppose, now, that the farmers, seeing that the 2,300,000,000 bushels were worth $300,000,000 more than 2,900,000,000 bushels, had attempted to adjust their acreage to the more profitable smaller crop. They would have cut it down 25 per cent. Did they do this? Not at all. They reduced their acreage about one-half of 1 per cent. And it is fortunate for the world that they pursued this course. For, according to the Government's last estimate, the yield this year will be close to 250,000,000 bushels less than last year—an amount less than the average for the five-year period, and certainly no more than will easily be consumed.

If they had effected the reduction of 25 per cent., which some theorists suggest, we should have had a crop this year of about 2,000,000,000 bushels—far below the nation's need. The result would have been very high prices for corn, and, what is more important to the consumer, a very burdensome increase in the price of pork and beef products. Indeed, no one can say what price corn would ascend to with a 2,000,000,000-bushel crop; the price soared to $1.25 a bushel with a 2,300,000,000-bushel crop in 1924.

The fact is, the farmer must always plan to raise more than just enough if the world is to be fed and clothed. Every one recognizes this need. That is why a reasonable carryover from season to season is regarded by the commercial world as necessary if we are to have a feeling of security for the coming year.

A surplus, therefore, of the staple products of the farms is inevitable and necessary. The nation holding such a surplus is the richer for having it. Industry can plan the better for the future if it knows in advance that we shall have enough of food and raw materials.

The Farmer and His Surplus

The farmer asks why if this occasional surplus is a good thing for every one else, it should result in a loss to him. Mankind has been producing food for some thousands of years, and yet we are told in all that time we have not accumulated a sufficient surplus to feed the world for an single year. We have been producing cotton for considerably more than one hundred years. We are told that last year we had the third largest crop on record. As a result, the price declined to a point where it was not profitable to produce it, if we measure profits by the standard employed in other fields of human activity. And yet today there is not a sufficient carryover of cotton to keep the spindles of the world busy for ninety days.

Cotton, too, is a product of the farm, and it can be stored almost indefinitely without serious loss in quality. If there were not surpluses some years, there would be a deficiency in others; and then the world would be lacking in sufficient food and clothes. If, however, the farmer alone must bear the crushing burden of a surplus, under the slow operation of economic laws; the time will come when there will be no surplus, and when the world, therefore, will go hungry and half clothed. So, in the interest of society as well as of the farmer, we must contrive some method by which the surpluses of the essentials of life shall become a benefit to him who produces them, not a burden.

The problem is how to attain this object. It is clear that the individual farmer cannot do this. If the producers of any farm commodity were completely organized, it is conceivable that they might accomplish this very end. Their collective credit would enable them to store and hold for less bountiful years such of the surplus as prudence dictated. They would then consider collectively the most profitable disposition in the world's markets of that portion remaining.

Where the particular product had the protection of the tariff, they would not permit any exportable surplus to fix the price for domestic consumption. The domestic price would then be determined largely in the same way as is the domestic price of manufactured articles. In the case of farm commodities upon which there is no duty, as cotton, for instance, of which we produce 60 per cent. of the world's supply, an intelligent and collective handling of the surplus alone would insure a reasonable price.

Organization of the farmers for the purpose of marketing their crops collectively is progressing. I believe that some day it will cover the entire field. Denmark has shown how, under the most adverse circumstances it can transform the agriculture of a people. Wherever cooperative marketing is furthest advanced, either in the

United States or abroad, there you find agriculture in its best state. Violent fluctuations in the markets are eliminated; better prices to the producers are insured, without an increase in cost and sometimes with an actual decrease to the consumer; an approach to standardization, product of a more intelligent effort to adjust production to probable demand, and a finer and more satisfying community life result.

It is doubtful, however, if the cooperatives of the staple farm products can be sufficiently organized to take care of this ever-present problem of surplus unless some way be found by which the cost of handling the surplus is borne equally by all producers of the particular commodity.

If the producers of any farm product are only partly organized and attempt to take care of the surplus, the producers of that commodity who are not members of the cooperative receive the full benefit of the improved price without bearing any of the burdens incident to the surplus. The tobacco cooperatives were very successful for a number of years. When farm prices broke in 1920, the tobacco growers were among the severest sufferers. Tobacco was selling far below cost of production. And then cooperative marketing associations were formed. Through their largely increased bargaining power these associations were able to sell the bulk of their crop at remunerative prices.

Withholding a Surplus

To accomplish this, it was necessary to withhold a surplus temporarily from the market. That entailed a necessary expense. The non-member was able to avail himself of the better prices which the association had established without bearing any part of the burden of handling the surplus. And thus, though the members of the cooperatives themselves received much larger returns

than would have been the case if they had not organized, the non-members have profited even more. It is difficult to maintain the morale of an organization when outsiders receive the benefits of the organization in a larger measure than do the members themselves. For this reason some of the tobacco cooperatives recently have found themselves in great difficulty.

Other nations have had the problem of a surplus of natural products and have set about trying to solve it. At the close of the war Australia and New Zealand found themselves with a vast quantity of wool on hand. This threatened the demoralization of the wool markets of the world. The British Government interested itself and effected an organization of the growers for the purpose of taking charge of this huge carryover. As a result, the disaster which came to other producers of farm commodities was averted and the price of wool was reasonably stabilized.

Brazil Regulates Coffee

What is the lesson to be learned from this? I will let Commerce and Finance, a New York publication, answer. In its issue of June 23 last, that journal says:

> In the first place, it demonstrates conclusively there are situations in which it is not only possible but desirable to interfere with that sacred cow of business fundamentalists, the law of supply and demand. In the second place, it shows that, by means of artificial control, the wool market was saved from the demoralization that confronted the other great commodity markets after the war, such as sugar, cotton, wheat, etc. Not only was this control a boon to the wool growers but it was also a distinct benefit to the whole world to have a stabilized wool market.
>
> The chief trouble with the law of supply and demand is that it is accepted by many, not as the veriest economic truism, but as a sacred precept handed down from Mount Sinai. It is no more sensible to shake our heads sadly at attempts to upset it than it is to talk of folly of hospitals because they violate the law of the survival of the fittest. If violations of the law of supply and demand can give us stabilized markets to the benefit of all concerned, then an attitude of economic fatalism appears to be the height of absurdity.

A few years ago the coffee growers of Brazil were in dire distress. Unrestricted competition among them threatened to bring bankruptcy. The nation saw that only by centralized selling for export could it hope to adjust the supply to the world demand. To effect this a somewhat intricate plan called valorization, which has been in operation for a number of years, was adopted. This has resulted in stabilizing the coffee markets of the world with a living price to the producer.

Later on the rubber planters in the Eastern colonies of Great Britain were well-nigh bankrupt because of the low price they were receiving for their rubber. They succeeded in interesting the British Government in their troubles. The Colonial Office worked out what is known as the Stevenson plan. Under this plan, though different means were adopted, the aim was the same—namely, to adjust the supply of rubber in the markets of the world to the actual demands of commerce. All the world knows the result. The price of raw rubber has greatly increased, and those far-off colonies are among the most prosperous portions of the British Empire.

The American farmer is a large consumer of coffee; he is interested in rubber, too, for he is obliged to use automobiles and trucks in his business. When he complains of the high price he pays for coffee and tires, he is told that it is due to the way in which the Brazilian Government and the British Government have interfered with the law of supply and demand. He begins to doubt if that law is either so potent or so universal in its application as he has been taught to believe. He wonders if former President Hadley of Yale was not right when he said in a lecture delivered in England a few years ago:

COMPETITION'S PART

Those of us who were brought up on the old-fashioned textbooks of political economy can hardly conceive how small a part of the prices or wages or rents of the world have actually been determined by competition.

I am not advocating any of these plans. I do think, however, that just as Australia found a way to take care of her huge wool surplus without bankrupting her farmers, and Brazil a way by which her coffee surplus is no longer a menace, and England a method by which her rubber surplus no longer paralyzes the rubber-growing industry—so we in America may, if we will, find a means of taking from the back of the American farmer the burden of his surplus.

The world has long been used to the advantages of mass production. It now appears that mass selling is to be given a trial.

Some of us have thought we have seen an analogy between the occasional surplus of staple farm crops and the surplus credit resources of the banks before the adoption of the Federal Reserve system. The resources of the banks as a whole were adequate for the business of the country as a whole. It frequently happened, however, that an unusual demand at some particular place exceeded the resources of that community, while in other sections there were ample credit resources in excess of their need. The Federal Reserve system was designed, among other things, to mobilize the credit resources of those banks which had a surplus and employ them where the credit resources were deficient. It sought to do in reference to space with surplus credit resources what should be accomplished in reference to time with the occasional surpluses of the farm.

A Federal Farm Board

We have therefore suggested a Federal farm board. We have proposed that such board should be vested with the power of inquiring into certain facts. Is there a surplus of some basic farm product? Does this surplus depress the price below cost of production with a reasonable profit? Are the growers of that produce sufficiently or-

ganized cooperatively to be fairly representative of all the producers of the product? If the board finds that all of these questions must be answered "yes," it is then empowered to authorize the cooperative to take control of the surplus.

The only aid from the Government which the cooperative would require would be that the Government should distribute among all the producers of the particular commodity the cost to the cooperative of handling the surplus. Neither the Government, nor the Government board, would determine the price. Nor would even the cooperative itself "fix" the price in any other sense than industry generally determines prices. It, like every other industry, would study all the conditions affecting the particular commodity and from time to time decide upon a price which conditions would seem to warrant. It would simply enjoy the advantages that come from organized selling.

Gloomy View Spreads

It may be that there is a better solution of the problem than the one I have suggested. I am not insisting upon any particular remedy. I only say that there is a farm problem of the gravest importance and that a solution must be found if we would preserve our civilization.

There are many earnest men who believe there is no solution. I come across them with increasing frequency. They say that there has been always a conflict between rural and urban civilization; that in this conflict rural civilization always has gone down; that there is no reason why we should be an exception to the general rule; that a decaying agriculture always has marked the first stage in the decline of a nation's greatness, and that we are helpless in the grip of this relentless law of the rise and fall of nations. I cannot yield to their gloomy view.

I do agree that our rural civilization is in a perilous state. I agree with them when they say our nation can-

not long survive the decay of its agriculture. I cannot follow them, however, in their dispair of finding some power, somewhere, that will arrest this decay. I have more faith in the capacity of society to save itself.

Our civilization as contrasted with all previous civilizations has been marked by man's increasing control over the forces of nature and a subjection of them to man's own use. I believe we are entering upon a new era in the domain of the social sciences. Just as in the material world man has increased his dominion over the forces of nature, so in the world of men we shall learn more and more how to make the institutions of men respond to the needs of men.

FIX CROP PRICES[8]

I believe that today every business man in New York City and every business man in America worthy of being called a "business man" realizes that agriculture is fundamental, and that, when agriculture prospers, when the farmer has a larger purchasing power, the better conditions follow; and that when the farmer is deprived of his normal purchasing power or his purchasing power for any one year is less than the previous year, earnings fall off and dividends are reduced.

Influence on Dividends

It is an actual fact, and it makes but very little difference, so far as the farmer is concerned. One dollar an acre, gentlemen, on the farms of America spells the difference as to whether or not your dividends will increase or your bankruptcies will increase. If it is a dollar an acre more than he received the previous year, your failures will decrease and your dividends will go up; but if that dollar an acre is taken away from the farmer—

[8] By Edwin T. Meredith, former Secretary of Agriculture. An address before the Chamber of Commerce of the State of New York, November 18, 1926.

and it only amounts to $80 a farm—$500,000,000 for the 500,000,000 acres; but if that dollar an acre be taken away from the purchasing power of the farm, failures in the United States, as reported by Dun's and Bradstreet's, will increase anywhere from 20 to 33 1/3 per cent., and do it every time, just as certainly as your life insurance tables are worked out.

That being true, then, and we recognizing the importance of agriculture, I am going to take no time upon the question of whether or not it is fundamental, believing that you agree with me that it is fundamental.

The interest in agriculture, to my mind, should be of as great moment to the business man in New York City as to the farmer himself, and of as much moment to those interested with Mr. Green [William Green, President of the American Federation of Labor]—labor circles—as to the business man. In other words, it is a mutual legislation—agriculture, business and labor. If agriculture is fundamental and business prospers, due to agriculture being stabilized, then labor, too, profits by agriculture being stabilized; so it is indeed mutual. When the farmer is prosperous business is good, and, of course, conditions of employment, for labor, are better and more satisfactory; and what I want particularly to do tonight is to plead with you, urge you, to take an interest in agriculture, whether you accept my suggestions or not, because that is not so important; but it is important that you do take an active, real, sympathetic interest in agriculture and try to find a solution that will stabilize the situation.

Laws Governing Situation

There are three or four things that I would like to say, however, before going into the remedy that seems to me, in considering it, we can all accept.

First, there are two great laws that, to my mind, must be taken into consideration. One of them is the law of

supply and demand—and I heard a member of Congress recently say that there is no such thing as a law of supply and demand, and he expects to vote upon agricultural legislation; but I know, and I am sure that you know, there is such a thing as the law of supply and demand, and we must live in accordance with it, and the law of supply and demand must be taken into consideration if we wish to be helpful to the farmer. Increased production means lower prices and overproduction means bankruptcy to the farmer, while lessened production means higher prices. And then there is the great law of incentive. In some places in Iowa and some places in the West, and possibly other places in the East, they think that the only men who ever actually hope to make a dollar live somewhere around Manhattan Island; but let me say to you that the farmer is just as selfish, is just as much influenced by the great law of incentive, as the New Yorkers that I have had the privilege of becoming acquainted with. In other words, the farmer is moved by the hope of profit, and will do the thing that offers that profit; and, of course, on the other hand, he hesitates to do that thing in which there may be failure or loss.

Farmer a Business Man

I am sure you will agree with me that that, again, is an absolutely sound statement; that there is such a law, and that the law of incentive and the hope of profit move business men to do things, and the fear of loss moves them not to do things; and the farmer, regardless of the opinions of many business men who do not come in contact with him—the farmer—is a business man; he is efficient, he is earnest, he is a hard worker; he knows his costs, he must count his dollars; and, frankly, I think he must know more about his business than you and I know about ours—more things. He must be, of course, a weather prophet; he must be a scientist; he must know

what is a balanced ration for his stock; he must know which feed makes bone, he must know which feed makes meat, which feed makes milk; he must know many things. He must test his soil, he must know what it is adapted to; he must be a mechanic, he must repair his machinery; he must be the architect of his barn and his house, in many cases; and he is capable, he is bright, he is efficient, and I hope you will accept my statement that that is typical of the farmers of the United States. Because he is, like ourselves, governed by the law of incentive, if we can help him to make more profit in one thing than another he will be very quick to respond, and I think you must agree with that statement.

Warns of Depressions

Then, we can agree on this: that there are agricultural depressions—1866 or 1856, and 1873, 1893, 1907, 1920, and so on—and there will be more agricultural depressions in the future, unless you and other good business men find a way to prevent them, because what has happened in the past under the same conditions is going to happen again; so we can look forward to more agricultural depressions unless we do something; and each of these agricultural depressions brings hardships to the business man, increases the number of bank failures and charged-off inventories. All these things we know, so we have got to look forward to them again unless we exercise an enlightened selfishness, if you please, and find some way of preventing that harm to business; and when I say "harm to business" I mean to emphasize that there is no more hardship to the farmer than to business, and, through business, to labor; in other words, that it is mutual, as I say.

Recognizing that there are agricultural depressions, I think we can agree that they are brought about primarily by decline in prices—fluctuating prices—and if cotton, for instance, had stayed up above 18 cents, or had gone

to 20 or 24 cents, instead of down to 12½, we would not be feeling what is going to happen because of the agricultural depression in the South, that decline in prices; and corn, too, from a few years ago, at around a dollar down to 30 cents, and that brought depression. Then I think we can agree that the immediate cause of agricultural depression is a decline in prices—a violent decline, if you like. Of course, one of the very natural causes of a decline in prices is overproduction; in other words, the law of supply and demand operates there, and it is production that regulates the price, and an overproduction naturally brings a decline.

Price as Big Factor

Here is the thing that I would like to say to you is my honest judgment, and I would like to have you make your own investigations, if you like, or I will send you a copy of a chart that has proved to my satisfaction that price governs production, and not the weather. Price has more to do with production in this country, due to this law of incentive, if you like, than has the weather. Now, of course, the weather certainly makes a difference in crops or production from time to time, but as nearly as I have been able to find from a sixty-year record of cotton and wheat, and somewhat fewer years with regard to corn, weather only affects production to a slight degree as compared with price. Weather is a hazard that goes with the farming business the same as fire or flood or breakage or something else go along with other business hazards. The farmer has as his hazards the weather and insects and pests, but he can absorb their effects as a natural hazard of the business. So let me emphasize that price is the real thing that governs production.

But, gentlemen, here is the trouble. It is the price at planting season that affects production. The farmer takes his wheat and corn, where he can plant either—and he can in a large area—for the price of butter and dairy

herd. He can grow sheep and produce wool. At planting season he takes the crop that looks like the most money. That is what you and I would do, if we didn't know better. Take the high-price crop because it offers the largest profit, seemingly.

Cites Figures on Wheat

But if you will take wheat for sixty years and list the price at planting season, the number of acres planted, and the number of bushels you get for the whole country, the price of harvest, put them in parallel columns, and then put a little square around each of those figures for any one year which is higher than the previous year —suppose the price of wheat in 1899 was $1; if it were $1.05 in 1900 put a square around it, indicating that year it was higher than the last. And you will find this, gentlemen, that whenever you have a square around the price at planting season you have more acres planted, and six years out of seven you will get more bushels, but no square around the harvest price. That will be lower.

Then carry that forward to the first column, the planting season, and you have no square around it, because it is lower than the previous year. You have no square around the number of acres planted; that will be less. But you will have a square around the price at harvest; that will be higher. I do not say 100 per cent of the time, but 90 per cent of the time, so often that that is the rule to follow, plant the crop on which you lost money, but do not plant the crop that made you any. If you are in between these doubtful zones, in land that can be only applied to one particular crop or largely so, that is different.

Why? Because the farmer is just like the New Yorker, if you like—you all went to Florida when everybody else went. None of you happened to go to Des Moines, Iowa, because your neighbor wasn't going. You will all flock into the stock that is going up and then get

nicked. That is what the farmer does. Why shouldn't he this year—and the price has not dropped completely yet—have planted potatoes? Because last year potatoes were $2.50 and $3 per bushel practically all over the United States, and an easy-money crop, a big-money crop. I expected to see the price of potatoes this year down around 75 cents.

Tells Personal Incident

If I may refer to this little personal incident, when I visited out in the Mohawk Valley last Winter with a farmer who planted sixteen acres all in tobacco, he said, for eight years, but that he was going to put them into potatoes this year because everybody else did. "Mr. Ashley," I said, "you are likely to lose; I would put it all into tobacco." He said: "Tobacco is only 12 cents—maybe 18 cents." I said: "Sure, because they offered you 42 cents two years ago and everybody rushed into it, and now at 18 cents everybody will stay out of it, enough to affect the result; getting into potatoes now means low-price potatoes, because potatoes were high." I saw him last Sunday morning and he said: "Meredith, you were wrong. I made more money on the potatoes." I said: "Did you?" "Yes" "How much?" "Well, some; I did not get what I thought I would for the potatoes; I thought I would get $1.50 a bushel and I only got $1." I said: "How about the tobacco?" He said: "I thought I would only get 18 cents for that and the price, so far as I could learn, is 25 cents." In the one year the change has not been great enough. It takes three years in wheat to make a big difference in the forecast. In the next twelve months the result will be what I said—money made on tobacco and not on potatoes. It offers a loss at the time of planting season.

Farm Effect on New York

If price controls production, production causes the violent fluctuations that disappoint the farmers, and they

cause depressions. This Chamber of Commerce had a Committee on Agriculture before the country was organized—one of your first committees. Whether you have one today or not I don't know. But agriculture is more important today and immensely more important than when this chamber was organized. Because today New York does business not only around this immediate territory but in every county in the United States. If that farmer out there has $1,000 and he spends it, then you spend it, too, because it is spent for labor, and the laborer spends it with the retailer for clothing and the necessities; he sends it down to Massachusetts for shoes; it goes through many hands. If the farmer hasn't got it, you lose that changing of hands five or six times. That is why the dollar an acre means so much to you.

You want to avoid these agricultural depressions, undoubtedly. That agriculture is fundamental, we have agreed. If the agricultural depression is caused by fluctuating price and production is controlled by price at planting season, why not use price, gentlemen, as the one factor that we can use in interpreting the law of supply and demand to the farmer, and give him some idea what the price will be at harvest? He plants on the basis of last year's crop, but when he comes to sell he sells on the basis of this year's production. That disappoints him many times.

"Why Not Use Price?"

When I say, "Why not use price?" it will be said, "Oh, it is price-fixing, is it?" What is price-fixing? I offer you $100 for your watch, and you don't have to take it; you offer it to me for $20 and I don't have to take it. Neither one of us fixes the price for the other fellow. But if I bid you $50 for your watch, I am making you a business proposition; you can accept it or reject it; and that, by the way, is the privilege that business men have. I don't care whether it is in the hotel

business in New York, when you walk up and ask for the price of a room and the clerk tells you he did not fix the price for you, you don't have to take it, you can get a higher-priced room or a cheaper room as you wish. He must know in his business what that room is going to bring in order to operate, and that is the privilege I ask for the farmer. Your barber knows exactly what he is going to get for your shave, and yet you won't tell the farmer what he is going to get for his bushel of wheat. Your chauffeur knows how much a week you are going to pay him, but the farmer, who is raising the products that clothe you and the food that you eat, we tell him to wait until the harvest and we will give him whatever the law of supply and demand may dictate. No manufacturer starts out and makes 10,000 dining room tables without an idea that he has a market and the price at which he is to sell them. If he runs into a little decline he can shut down the factory in the middle of the week. But the farmer must go through the whole year.

Wants Farmers Protected

I ask for the farmer, from you men and all the consumers, labor and every one else, that what you grant your chauffeur, or the waiter who brings you your food —because he must know how much he is going to receive for being a waiter, or else he does not know how much rent he is to pay, or how much to buy his wife's new hat, or have the boy go to school—I ask for the farmers that self-same information and protection—not selfishly, but in the interest of the whole nation. I ask that we organize some commission—and I want, by the way, that the farmer should do this himself. I think it is a national problem; I think it should be a problem of the Treasury. We have this question of subsidy and price-fixing and Government in business and a lot of other things in our minds that I hope you will dismiss or consider whether it is morally right from a business

standpoint, and whether it is economically sound—that we have a commission, and I am perfectly willing as far as I am concerned to let Mr. Green, representing the labor interests, name twelve Presidents of labor unions to fix the price, or I will take twelve bankers or business men, because no matter who the men are who tell the farmer at the planting season what the price is going to be, each group will have to fix exactly the same price.

Basis for Price-Fixing

In other words, this commission meeting—say it is the Secretary of Commerce, the Secretary of Labor and the Secretary of Agriculture and three or six or sixty other men for scenery—to fix these prices, and they get together and the first year it is a guess, the first year it is an average price for the past ten years, or the first year it is based on cost or whatever other way you want to get at it. And suppose you say to the farmer, we are going to charge you this year 1 per cent. on production or 1½ on six crops. You tell them March 1 you are going to give for wheat this year $1.25, that that is the demand on the part of the consumer, and 60 cents for corn and other prices. You go through that year, and how much wheat do you get? You get the amount of wheat that $1.25 would encourage the farmer to raise who thought he could make a profit out of it—not the farmer who says he will lose money. There is the same incentive in corn. You find at the end of the year a hundred million bushels too much wheat and corn is less. What will you do next year? I do not ask that the commission buy a dollar's worth of crop in a year; they only agreed to buy it one year after harvest, and it will mean that what is left over you will have to pay $1.25 for in the meantime to get anything of that farm, less carrying charges. So he will sell his crop at $1.25 if the incentive is right to induce the proper number of men to grow wheat. You have no surplus, we have eaten it or Europe

has bought it. But you have one hundred million bushels too much wheat and you have to export it to Europe or somewhere else at 15 cents a bushel less—$15,000,000.

Proposes Insurance Fund

Then you say the Government should not pay that, no matter how much it helps labor. We will pay that out of a fund that the farmer has contributed himself, the same as he does with the life insurance, the same as you and I do, whether it is mutual or old line; and the same as the fire insurance. So we take that money out and pay it, and nobody knows it—we don't even know it ourselves, the shock is not great enough, and we pay this $15,000,000. But one piece of legislation of McNary-Haugen with which I have no sympathy says that the farmer shall go on and produce 100,000,000 bushels next year with a loss and charge it back to the farms. No control over production. If we are going to use price to get balanced production, the farmer must know the price and we tell him $1.25 this year is more than we are willing to set, because too many of you are willing to take it. But we are going to raise corn because there are not enough of you who grew corn and we need another five cents a bushel on corn. A lot of farmers in the country in the territories in which you can grow wheat and corn equally well will send word back to you, "I won't grow you any wheat at a five-cent lower price." But they will tell you, "I will grow you corn at $1.65," and that is what we want.

The Law of Incentive

If there is anything in the law of incentive—I can prove to you that for sixty years incentive has controlled your law of production, not fixed prices. No, interpret to the farmers the demand that you want, the production that you want; put into it the incentive. If the labor union fixes it, it is fixed low because the laborer wants

cheap food, and the farmer fixes it high because he wants high-priced food. But could he? No, the labor union man would say, "Now listen, we didn't get enough wheat and we will raise the price to the price that will produce the production we need."

He will have to do it or go hungry. If the farmer gets his price too high he has too much incentive, and what has he got to do but tell some of the poorer farmers at the bottom, we don't need your production, we will cut the price to a reasonable price. The labor man's price going up the farmer's coming down, they meet, and who accepts it? The man closest to the market, because a 24-cent freight haul is a waste as against a 12-cent freight haul. A man who has to pay 24 cents on a bushel of wheat cannot deliver it as cheaply as the man who pays 12. First it is the man nearest the market; next, it is the best land in America, whatever the crop. The poor man cannot compete any more than the poor manufacturer or the poor piece of machinery. He cannot deliver wheat that is just as good as the man's with the best land. The rest of them have got to drop. They think they are farmers, as far as competition is concerned. They think it is a farm, but it is not, because it is not adapted to growing the crop. Then you are getting the food for your families and yourselves at positively the lowest price which will induce men to produce the quantity you want. And they are the best farmers in America and it is the best land, closest to where you live.

Effect of Low Prices

And I say to you that is as cheap as you could have your food; if you get it any cheaper you get it at the expense of the children's education or of getting a radio and taking it away from the girl or the boy on the farm, and the farmer says, "No, little daughter, you cannot buy a phonograph record because these prices won't al-

low it." I knew a man who threw a piece of tobacco clear over into the field and said, "I won't chew another piece of tobacco until I can buy my daughter what she wants"—because she had just wanted a nickel for a package of chewing gum.

You induce the best production from the best land, and you are getting it cheaper, and it is not morally honest.

Take financing. We have today the Federal Reserve System and all the banking corporations and all the intermediate credits, the Farm Loan system, and so on, and some Congressmen are saying, "How can we loan the farmer more money?" We do not need any more financial assistance in the way of institutions to loan it, but, gentlemen, the Chairman of the Committee on Agriculture, a banker and Congressman from Iowa, told me at an agricultural meeting that he would not loan any money on seventy-cent corn. I asked him, "Why wouldn't you, Mr. Haugen?" He said, "Because by the time the loan is due it may only be thirty-cent corn." And he is right. Corn is not collateral, it is not safe, it may decline. But you give this farmer the assurance that through this insurance fund or through this price-fixing if you want to call it that, there is an institution that will take what is left at the price and stabilize his price, and let the banker know it is going to be taken off the market at that price, that you will reduce the price next year if you must, and the farmer will finance himself through his local county bank, and then he can get money from his Federal Reserve or New York correspondent.

Fluctuation Hits Growers

This fluctuation is one of the things that puts this farmer out of business. There is not a man in this room, no matter what he knows about cost or the price of raw material or anything else, who does not conduct his business so that he knows pretty well what he is going to get

for his product. If he does not he is only gambling, and there is an awful hazard. I will give you these prices for agriculture and ask you if comparable prices existed in your business you would weather the storm.

Corn in 1874, 58 cents; in 1878, 31 cents. What will a man do who expects to get $5,800 for 10,000 bushels of corn and then only gets $3,100? In 1881 it is 63 cents, twice as much as it was in 1878, and that is only three years, and he paid off his debts and put in more corn because the price at planting season influenced him. Then in 1889 you gave him 27 cents, 27 from 63, and you talk about fluctuations in your business. 1890, the next year, from 27 to 50; 1901, 60; 1906, 39; 1910, 48; 1918, 136; 1921, something around 35 cents. These figures are from the Agricultural Year Book.

Wheat in 1871, $1.14; in 1878 it dropped to 77 cents; in 1881, in three years, it went up to $1.19; in 1884, three years, 64 cents; 1891, 83 cents; 1894, 48 cents; 1909, 98 cents; 1919, $2.04; 1920, 76 cents.

Wants Demand Indicated

Those fluctuations, gentlemen, are what bring agricultural depression. If you will indicate the demand for this crop, telling what you are willing to absorb it at, I call it an interpretation of the law of supply and demand. I am just as willing to call it price-fixing. That won't do. I talked to a director here of one of your large corporations, the American Bell Telephone, and I suggested to him what I have suggested to you—just about what I said here. He said, "Oh, Meredith, that is economically unsound." I will get you ten of the best economists in the country who will tell you it can be demonstrated as economically sound if we lay aside our prejudices. I said, "Is it?" "Yes." There are six and half million farmers in the United States, and it is likely that two and a half of them have their own phones in their houses. How do they decide what they are going to give

you at the end of the year for the phone? Some are large farmers and it is worth a lot to them. Others are a long ways from town and they need it badly, while others are near and can run in. But how do they decide? He says, "But we don't do that; we write a contract and they pay according to the contract." I said, "Oh, that is economically unsound." "Oh, no, that is only business —only business." I said, "Why?" Why, so we would know what to pay for wire and what to pay for labor, what to pay for repairs, what to pay for new equipment, what he had to set aside for dividends. A little bit of business, if it is $100 a phone—which it is not—that only amounts to $250,000,000. But this farmer is in a twelve billion dollar business year after year. I said to this director:

> Then if you went out of this little bit of business of $250,000,000, you would lay aside all these business principles and say: "I don't care what I get in the Fall; I will spend my money and see how I come out." I said: "What is the difference? In a little business, if you must know what you are going to get per unit of service, and you ask this farmer for a price per unit of service, called a month's use of a telephone, why shouldn't you want it, if you went out of a business of $12,000,000,000 and have the consumer say: 'If you render me service in a bushel of wheat, a pound of cotton or a bushel of corn, I will give you so much for it, so you will know what to expect.'"

He said: "Meredith, I will be damned if I know why we should not tell him."

Pleads for Chance for Farmer

I ask you why you shouldn't tell a farmer in advance and say that a bushel of wheat this year will be worth 40 cents in price, and give him a chance to say yes or no. That is all I ask. If the price is not big enough, that is your funeral. You would starve to death. But you would get generous very promptly. Raise the price to the point where he can live, educate his children. If you raised it too high you would have to cut it, because the production would be too much. Through this law of

incentive we can live in accordance with the law of supply and demand and can put this farmer on a basis where he knows the factor that you know in your business. The daily in this town knows how much it will get for every line, and there is no bank in this town loaning money and telling the customer to come in at the end of the year and tell them what he thinks it has been worth to him. There is no manufacturer shipping shoes and saying to the customer: "Send me what you like."

Suppose you send it on the basis of what you could do it for with coolie labor or peasant labor. Every one of us is in peasantry—France, Germany, Denmark, or any other country; and this country is on its way unless you men here in this great Chamber of Commerce and other men similarly situated, with the ability to do things and the equipment to do things, will get on the job and put agriculture on a business basis. And what is that? It is the factor of knowing what the farmer is going to receive so he can regulate his expenses rather than putting his investment in and coming out at the end of the year with a finding that he only gets a third or a half of what these prices indicate.

Herbert Hoover says there is no way agriculture can get an unreasonably high price, or big profit, because there is too much production that stands ready to come in. We would leave our own business and do it ourselves. In other words, there are too many acres that stand ready, too many other men who stand ready to give it a snap. It is not a close corporation by any means. On the other hand, he says, the only way to reduce production is to make it so unprofitable to a certain extent that they have got to go out. I agree with Mr. Hoover in his statement, but not in the method. I say tell them on March 1 if you do this thing you will go broke. You do not want them to do that thing. You can get enough who can make money at the lower price rather than the higher price. Let the farmes go out with

their eyes open, with their capital intact, and their children in school—give them a square deal, not only in their interest, but in your interest, in the interest of your city, your state, your country.

REPORT OF THE COMMITTEE ON AGRICULTURE[4]

The Committee on Agriculture, to whom was referred the bill (H.R. 11603) to establish a Federal Farm Board to aid in the orderly marketing and in the control and disposition of the surplus of agricultural commodities, having had the same under consideration, reports favorably thereon without amendment and recommends that the bill do pass.

1. The Proposed Legislation

NECESSITY FOR LEGISLATION

In its report on May 2, 1924 (Rept. No. 631, 68th Cong., 1st sess.), your committee discussed in detail the general agricultural situation and the gravity of the condition of agriculture at that time. These conditions were not improved at the time of the report of your committee on the farmers export corporation bill, February 26, 1925 (Rept. No. 1595, 68th Cong., 2d sess.).

The hearings upon the legislation proposed at this time have been extensive, reveal a continuation of the critical condition, and prove conclusively that legislation must be enacted which will assist in remedying the situation.

THE LEGISLATIVE PROBLEM

Legislation which does not strike at the fundamental problems and the basic causes of the condition, however, can not be expected to accomplish more than a partial postponement of a complete breakdown.

[4] *House Report no.* 1003, 69th Congress, 1st Session. April 27, 1926.

There is practically unanimous agreement upon the basic causes of the conditions in agriculture:

(1) We produce, and it is essential that we produce, a surplus of certain agricultural commodities. This surplus must be sold in competition in the world markets. It is sold at the world price. But the surplus for export is not segregated from the supply for domestic consumption. Consequently the world price fixes the price for the entire crop. Under these circumstances, our present tariff, to a very large extent, is inoperative. The effect of the world price upon the entire crop can be removed by removing the exportable surplus, so that the domestic price will be protected by the tariff.

(2) Seasonal variations in yield result in destructive price fluctuations that can only be prevented by effective provision for carrying products over from fat years to lean years, thus securing a price based on supply and demand over a period of years rather than for one year. This is particularly important in the case of cotton and corn.

There are inescapable reasons why extension of additional credit to cooperative marketing associations can not materially affect this fundamental problem. Any plan that operates successfully in controlling surpluses will have distinct results in price stabilization and improvement. All producers, whether or not they belong to a cooperative association, enjoy the benefits of these results. But no matter how many new methods of loaning money to cooperative associations are devised, as long as ultimate payment must be made by the members only, operations will be limited strictly to ordinary merchandising transactions and no real control or management of the surplus will be undertaken.

Cooperative associations can now borrow money. The need is not for some new way in which to go into debt, but for some way in which the risk and cost of managing the entire crop carry over and surpluses can be distributed

over all producers and not be borne exclusively by their members.

They borrow hundreds of millions of dollars from Federal intermediate credit banks and from member banks of the Federal reserve system. The War Finance Corporation has been permitted to go out of existence because there seemed to be no general need for emergency credit.

The Problem of the Surplus

It is possible for a manufacturer to adjust the volume of his production exactly to the estimated requirements of his market. This the farmer can not do, since in many crops weather and pests have more weight than acreage in determining total yield.

Winds, droughts, floods, boll weevil, corn borer, wheat rust, and other pests and diseases make the accurate adjustment of the production of agriculture to estimated demand in order to avoid a surplus on the one hand, and national underproduction, possibly famine, on the other, out of the question.

In 1920, the corn acreage of the United States, approximately 101,000,000 acres, produced at the rate of 31.5 bushels per acre; in 1924 the yield, was 22.9 bushels. On the same acreage base for those two years the variation in total yield due to weather and other factors beyond the farmer's control, was 858,000,000 bushels.

The average United States cotton acreage for the years 1921-1924 was 35,000,000 acres. The 1921 yield was 124.5 pounds per acre; in 1924, 156.8 pounds. The cotton yield variation in those years, due to uncontrollable influences, amounted to 2,250,000 bales on the average acreage.

The 52,000,000 wheat acres which produced on the average 16.5 bushels per acre, a total of 862,627,000 bushels in 1924, yielded only 12.8 bushels per acre, a total of 669,365,000 bushels in 1925. The difference which no

degree of foresight or organization on the part of the farmers could have prevented, was nearly 200,000,000 bushels of wheat. In other words, the same acreage that yielded barely enough wheat to supply our domestic requirements in 1925 had produced a gigantic exportable surplus the year before. The foregoing examples show conclusively that control of acreage is not control of production.

To reduce our production to eliminate crop surplus is nationally unwise, economically unsound, and impossible in practice. No human agency can adjust acreage or number of these great commodities and except by accident arrive at, or anywhere near, the desired mark of production. No human agency should attempt to. The one attempting it would be faced with the necessity of suggesting substitute crops to utilize the acres thus vacated. From the consumers' viewpoint nothing could be more dangerous than to urge deliberate certailment of the supply of essential food elements. From the national viewpoint, the grave danger in such a policy is best pictured when one asks the question. "What would have happended to the United States and to the allied nations in the late war if the agriculture of the Nation previously had been reduced to a domestic basis?" It was the fact that they were then on an export basis that enabled the farmers of the United States to supply quickly to the Allies food that was necessary to carrying on the war.

To attract and to increase or even hold their membership, cooperative associations must be in position to secure for the producers they represent an effective bargaining power that influences the prices at which their commodities sell. They can not become genuine price factors unless they can manage crop surpluses in the interest of orderly marketing. If they attempt this the costs, losses, and risks of carry over and of selling exportable surpluses of certain crops at competitive prices outside the United States must be borne by the members of the

cooperatives, while the better prices are shared equally by the outsiders who, on the other hand, escape the inconveniences of deferred settlement and perhaps actual losses. This is destructive to the morale of cooperative enterprises.

If the costs and risks of loss were distributed evenly over an entire agricultural industry, then cooperative agencies could undertake the task of stabilization through surplus control without danger to themselves. This is the objective sought through the mechanism established by this bill.

PRINCIPLES AND OBJECTS OF THE BILL

For many years the producers of the Nation's basic agricultural crops have been seeking a way to adjust supply to demand in their most profitable markets, through control of agricultural surpluses. The bill provides a way in which this may be accomplished.

The administrative body is a farm board directed to promote stability and effective protection for agriculture. The objects sought under its operations are:

(1) To give producers of farm crops power to influence their price as effective as that possessed by other industrial groups;

(2) To secure a protected price to the producer of crops like wheat, pork, and beef, of which a relatively small surplus enters world trade;

(3) To afford all the advantages of orderly marketing through control of surplus to the producer of a crop like cotton, of which the American supply is the dominant factor in the world price;

(4) To enable producers of meat animals to maintain a stable level of swine and cattle population by steadying prices and by promoting carry over of corn from years of high production to years when the yield is low; and

(5) To promote cooperative associations by making it possible for them to control the movement to market of temporarily unneeded quantities of a commodity without imposing on their members alone the entire burden of withholding, removing, and disposing of them.

Through the operation of the equalization fee, which requires every unit of a commodity to bear its share of the cost of its stabilization and protection, the effect of this plan is to provide 100 per cent cooperation of all producers in financing transactions necessary to the control and disposition of crop surpluses. It takes 100 per cent cooperation to deal effectively with the surplus, and it is impossible to get such complete cooperation otherwise than through Government action. Honest, able, and sincere men with extraordinary ability have attempted it and have failed.

Bills for the management of agricultural surpluses in the Sixty-eighth Congress met with certain objections. Although your committee does not feel that they were valid, changes have been made in the present bill to meet them. The bill is drawn to conform as closely as possible to the recommendations of the cooperative marketing associations that have appeared on its behalf before the committee. It was devised after careful attention by operating officials of large cooperatives, and men familiar with sound economics and good practice in the commercial field.

SUMMARY OF THE PROVISIONS

A Federal Farm Board is established, with 12 members, to be appointed (one from each Federal land bank district) by the President from a list of 36 nominated by the Federal Farm Advisory Council. The council is composed of four men from each land bank district, who serve without salary and who are chosen at conventions of farm organizations and cooperative marketing associations within each district.

The board is given definite powers and duties to assist all producers of agricultural commodities in their work for orderly marketing, whether producers of "basic agricultural commodities" (wheat, cotton, corn, butter, cattle, and swine) or producers of other agricultural commodities.

In the case of basic agricultural commodities the operations of the board will be through contracts with cooperative agencies, created by the producers themselves, or with processors of the commodity, or with other agencies if there is no cooperative association capable of carrying out the agreements. The board can not enter into the contracts, however, until after it has found that certain specified conditions exist. In the case of cotton, it must find that there exists or is likely to exist a surplus above the requirements for orderly marketing and that the cooperative associations or other organizations representing the producers thereof are in favor of the board taking a hand; and in the case of other basic agricultural commodities the board must find that there is or is likely to be a surplus above domestic requirements, and that the domestic price does not reflect substantially the competitive price outside the United States plus the amount of the tariff and the transportation costs and charges to the United States.

After the finding of the necessary facts, the board will assist in removing or withholding the surplus by entering into agreements, under which the board will undertake to pay, out of the equalization fund for the particular commodity, the losses, cost, and charges involved in the purchase, withholding, and selling of the commodity or any food product thereof. Advances may be made out of the equalization fund for these purposes. The profits will accrue to the equalization fund.

The board is also authorized to make loans to cooperative associations of agricultural products not included within the list of basic agricultural commodities, for the

purpose of assisting them in controlling the surplus of their commodity, or for the purpose of asisting them in the purchase and construction of the facilities to be used in the storage or processing of the commodity.

In order to finance its operations on basic agricultural commodities, the bill provides for the payment of an equalization fee upon the processing or first sale (as the board may determine) of the commodity, so that the producers of the commodity may eventually finance their own stabilization program. An equalization fund for each commodity will be established, and the fees on that commodity will be placed in the proper equalization fund. Collection of the fee is deferred for two years on all commodities, and the operations during that period will be financed out of the revolving fund.

The board is given no power to buy or sell on its own account, whether directly or through agencies.

The bill provides for a revolving fund of $375,000,000. Of this sum $100,000,000 is set side for cotton; $250,000,000 for the other basic agricultural commodities; and $25,000,000 for loans to cooperative associations handling other agricultural products, and for the purchase of warehousing or processing facilities.

INDORSEMENT OF THE BILL

On March 4, 1926, representatives of the leading American farm organizations, governors and the personal representatives of the governors of many agricultural States, and the executive committee of 22 of the North Central States Agricultural Conference, appeared before the committee. They submitted recommendations for legislation along the lines now embodied in this bill. From that day until April 23 your committee held daily sessions, and for a great part of the period held night sessions as well, hearing witnesses and studying this legislative problem.

At these sessions your committee had before it, speaking in favor of this legislation, representatives of the American Farm Bureau Federation; the Farmers' Educational and Cooperative Union of America; the American Cotton Growers Exchange; the Governors of Iowa and South Dakota; the personal representatives of the Governors of Minnesota, Kansas, Illinois, Michigan, Nebraska, and Ohio; the Equity Cooperative Exchange; the National Producers Alliance; the American Council of Agriculture; the Illinois Agricultural Association; the affiliated farm organizations of Colorado; the Corn Belt Farm Organizations Committee; the Missouri Farmers Association; the South Dakota Wheat Growers Association; the Minnesota, Kansas and Iowa Farm Bureau Federations; the executive committee of 22 of the Des Moines Agricultural Conference; and other organizations representing agriculture.

Following the first appearance before your committee of the delegation representing the combined farm organizations, they presented on March 5 an outline of the principles which they asked to be incorporated into a bill for the relief of agriculture.

These principles (at the request of the committee) were subsequently embodied in a bill upon which the hearings proceeded. On April 16 the committee instructed the chairman to prepare and present a revised draft for its further consideration. The resulting bill is reported herewith. It is the product of the joint effort of the farm organizations and your committtee working closely together for the last two months. It embodies the principles and recommendations on farm relief legislation of the major farm organizations of America and was unanimously supported by all farm representatives that have appeared before your committee in connection with farm relief legislation.

The proposed legislation is indorsed by the American Federation of Labor in addition to the organizations men-

tioned above, and by many others who have communicated with the committee by telegraph or mail.

The McNary-Haugen bill in the Sixty-eighth Congress, embodying the principles of the equalization fee, was indorsed by over 200 organizations which include national and State labor organizations; the American Farm Bureau Federation, and State farm bureau federations for the States of Alabama, Iowa, Indiana, Kansas, Kentucky, Maryland, Michigan, Minnesota, Missouri, Montana, North Carolina, North Dakota, Nebraska, Ohio, Oregon, South Dakota, Virginia, Washington, and West Virginia; the National Board of Farm Organizations, composed of 16 separate farm organizations; the National Grange; Illinois Agricultural Association; Missouri Farmers' Association; farmers' unions in the States of Colorado, Oklahoma, Kansas, and Montana; National Livestock Producers' Association; American National Livestock Association; Corn Belt Livestock and Meat Producers' Association; Northwest Livestock Association; North Dakota Livestock Association; Kansas Livestock Association; Chicago Producers' Commission Association; American Hereford Breeders' Association; Highland Hereford Breeders' Association of Marfa, Tex.; Minnesota State Dairymen's Association; American Wheat Growers' Associated; Tri-State Grain Growers' Association; Northwest Wheat Growers' Association; and wheat growers' associations for the States of Colorado, Idaho, Indiana, Minnesota, Montana, Nebraska, North Dakota, Oregon, South Dakota, Utah, and Washington; the Interstate Export League and export commission leagues for the States of Idaho, Minnesota, Montana, Oregon, South Dakota, and Washington; Farmers' Grain Dealers' Association of Iowa; federation of farm loan associations for the States of Minnesota, Michigan, North Dakota, Washington, and Wisconsin; Minnesota Realty Dealers' Association; various cotton growers' associations and tobacco growers' associations; National

Wool Growers' Association; Oregon Wool Growers' Association; the Port Commission of Portland; Associated Engineers of Spokane; Tri-State Hardware Dealers' Association; Oregon Hardware and Implement Dealers; National Cigar Leaf Tobacco Dealers' Association; Minnesota School Board Association; a large number of commercial clubs, merchants' associations, Rotary clubs, Kiwanis clubs, Lions clubs, American Legion posts; the chambers of commerce of Seattle, Spokane, and other cities; the St. Paul Association of Public and Business Affairs; Greater Des Moines Committee; Greater St. Paul Committee; Minnesota Editors' Association; clearing house associations and State bankers' associations for the States of Montana, North Dakota, Oregon, South Dakota, and Washington. In addition to the large number of organizations indorsing the bill, it has been indorsed by the Iowa State Legislature; the Republican State conventions in Iowa and Minnesota; departments or boards of agriculture of the States of Arizona, Montana, Oklahoma, and Utah, in addition to commissioners of agriculture in other States; by governors, college presidents and professors, railroad officials, bankers, and men in many professions and walks of life.

II. The Agricultural Situation

A grave national problem

Facts that have been laid before your committee by men familiar with agriculture in every section of the United States leave no doubt of the existence of a grave agricultural problem that concerns not farmers alone, but all who are interested in the preservation of a sound national life in this country.

Agricultural production is so closely interwoven with the general business structure of the Nation, and plays so large a part in our national economic life, that there is no individual, no matter what his occupation or place, who

would not ultimately be affected by continued agricultural depression.

THE FARMER'S PLACE IN THE NATION

As the chief source of our food supply, agriculture is a principal factor in maintaining our national security, as well as a major economic necessity. But the farm also looms large as a primary source of supply for industrial raw material, as a purchaser of goods and services furnished by the rest of the population, as a reservoir of future citizenship, and as bearing a large portion of the cost of Government activities.

The National Industrial Conference Board of New York, an authoritative research institution, has just completed a year's exhaustive study of the agricultural situation. The following facts from the conference board's report, as given to the press, strikingly summarize the important place the farm holds in our national economy:

(1) The agricultural industry normally buys $6,000,000,000 worth of the goods and services of other industries annually.

(2) The farm supplies the materials upon which depend industries giving employment to nearly half of our industrial workers.

(3) It supplies about a fifth of the total tonnage of freight carried by the railroads.

(4) Its products constitute nearly half of the total value of our exports.

(5) It pays in taxes one-fifth of the total cost of Government in the United States.

(6) Our farms and far property represent more than one-fifth of our total national tangible wealth and contribute normally about one-sixth of the total national income.

(7) The total capital invested in agriculture in 1921 at current values amounted to $65,000,000,000, as compared with $44,000,000,000 invested in the manufacturing industries.

(8) With the rapid development of our industrial production, and the increasing pressure for foreign and domestic markets, the purchasing power of the farming population, which buys about one-sixth of the value of our total manufacturing production, may become the determining factor in industrial and business prosperity.

(9) The great dependence of our industries on the basic materials furnished by agriculture demands the maintenance of

an adequate and well-balanced agricultural production, lest we become dependent on foreign countries for such materials necessary to our industries and economic life.

(10) Inasmuch as the farming population constitutes nearly one-third of our total population, it is a vast reservoir of future citizens, and justly claiming weighty consideration in the management of the affairs of the Nation.

FARM CROP PURCHASING POWER

The National Industrial Conference Board has set forth in a chart issued in May, 1924, the purchasing power of seven cash crops measured in terms of farm value per acre rather than price per bushel, and of farm price per pound of livestock. Farm prices are compared with prices of a selected list of articles bought by the farmer using 1914 as 100.

For the four years, 1920 to 1923, inclusive, the purchasing power was as follows:

Oats	48.50	Beef cattle	51.75
Barley	49.25	Swine	62
Rye	40.25	Wheat	45
		Corn	57

This study has not been developed through 1924 and 1925, but relative exchange value of farm crops has remained so low that in most sections farmers have fallen steadily behind. While there have been price improvements in certain crops, they have not only failed to offset past disadvantages, but have failed on the whole to balance the continuing one.

ECONOMIC STATUS DECLINING

The conference board strikingly illustrates the inequality of the farmer's economic position as compared with that of persons engaged in other occupations by the fact that the farmers, for every dollar of national income received by workers in other activities, receive less than one-half dollar per capita. The farmer's economic status, according to this authority, has shown a progressively

declining tendency since 1900, except during the war years. In 1900 the farmer received 46 cents for every dollar of national income received by persons of other occupations; in 1910, 41 cents; 1920, 39 cents. Indications are that his share has not materially increased since.

FARMER PAYS MORE, GETS LESS

The same authority points out that the farmer's weakened position in meeting foreign competition at home and abroad has resulted from a tendency of his expenses to rise more rapidly than the prices he receives for his products. Overhead capital costs, including all taxes and interest charges of farming, which rose less than 60 per cent from 1880 to 1900, increased about 100 per cent from 1900 to 1910, and nearly 600 per cent between 1900 and 1920. Farm labor costs in the 20 years increased 90 per cent. Operating costs per unit of production, covering all materials and products of other industries purchased by the farmer, practically unchanged between 1880 and 1900, rose 116 per cent between 1890 and 1920. Combined costs per unit of product rose over 300 per cent in these 20 years. But wholesale prices of farm products increased only 120 per cent during the same time.

HIS INCOME DWINDLES

The conference board finds that the return on the total capital invested in agriculture, including the value of the food, fuel, and shelter supplied by the farm, during the five years prior to the war averaged 5½ per cent, but during the five years since 1920 averaged only 4 per cent, and the net return on the individual farm operator's investment only 2 per cent.

WORKS ON NARROW MARGIN

Actual earnings of the farmer in 1924 in return for his labor are computed by the board at $730 on the average, as against average earnings of $1,256 per wage

earner in the manufacturing industries in the same year, average earnings of $1,572 by transportation workers, $2,141 earned by clerical workers, an average of $1,678 earned by ministers, $1,295 by teachers, about $1,650 by Government employees, and an average of $1,415 per worker in all groups other than farmers.

The food, fuel, and housing supplied by the farm the board's report appraises at about $630 per year, which leaves the average farmer a cash income of about $100 out of the $730 earned by his labor during the year 1924. An average return of about $400 is allowed on the capital invested, making the total average cash income per farmer operator about $500 a year. Since the cost of food and clothing purchased by the average farm family during the year runs to about $475, the average farm income is only slightly more than enough to purchase the necessities of life.

Since these figures represent averages, there are as many worse cases as there are better ones, and in many instances therefore farmers have had to forego payment of interest on debt, or taxes, to say nothing of repairs, equipment, and maintenance and proper care of the fertility of the soil, in order to pay ordinary living expenses.

FARM BANKRUPTCIES INCREASE

This situation is illuminatingly reflected in farm bankruptcy statistics. The rate of farm failures from 1910 to 1924 shows an increase of over 1,000 per cent, in contrast to that of commercial failures, which has remained practically the same per year during the same period. Capital invested by farm operators decreased from $47,000,000,000 in 1920 to $32,000,000,000 in 1925, a loss of approximately $3,000,000,000 per year.

BANK FAILURES

The decline in the economic position of agriculture has been the chief cause of the enormous number of bank

failures in the United States since 1920, without parallel in any previous period in our history.

The number of bank failures in 1924 (915) was 42.5 per cent larger than the number of failures in 1893 (642). The number of failures for the period 1920-1925, inclusive (2,494), was greater than the number of failures during a period of 26 years up to 1920 (2,424). Most of the failed banks were located in agricultural districts.

The following table showing bank failures in the United States since 1920 does not include figures for closed national banks which were reopened without having been placed in the hands of a receiver. Except for the years 1924 and 1925, figures for other banks do not include banks reopened in the same year in which they were closed.

Bank failures by years ending on June 30, 1920 to 1925
[Statistics obtained from the Comptroller of the Currency]

Year ended June 30—	National banks		Other banks		Total	
	No.	Liabilities	No.	Liabilities	No.	Liabilities
1920	5	$1,930,000	44	$18,955,000	49	$20,885,000
1921	28	17,301,000	290	(a)96,124,000	318	113,425,000
1922	33	20,287,000	363	95,029,000	396	115,316,000
1923	37	20,076,000	237	64,550,000	274	84,626,000
1924	138	74,743,000	777	223,188,000	915	297,931,000
1925	102	53,315,000	440	118,728,000	542	172,043,000
Total ...	343	187,652,000	2,151	616,574,000	2,494	804,226,000

PER CAPITA INCOME

Striking is the comparison made in the report of the income per capita of the nonfarming population with that of farm inhabitants. While the income per head of urban population in 1919 was $723, $816 in 1920, and $701 in 1921, the per capita income of the farming population was $362 in 1919, $298 in 1920, and $186 in 1921. While this in a measure reflects the larger family usually prevalent on farms, as compared with the city population, it does not make the feeding of these additional mouths any easier, in the view of the authors of the report.

THE CAUSE ANALYZED

In summing up the causes of the farmer's difficulties, the conference board declares that while 60 per cent of the farmer's income depends on world conditions of supply, demand, and costs, which are out of his control, most of the elements entering into the expense of operating the farm, that is the cost of agricultural production, are determined by domestic conditions which place the costs for the farmer on a higher level of values than the world level of values which determines the bulk of the farmer's income. Having to produce at a level of high costs, the farmer must meet competition which, producing at lower cost, limits the market for his surplus in accordance with the abundance or scarcity of world crops.

THE RECOMMENDATIONS OF INDUSTRY

Your committee regards as extremely significant the conclusion of the conference board reached after a long study of the agricultural situation, and set forth in the following paragraph:

> Fundamentally, these conditions have arisen partly out of inherent differences between the productive processes of agriculture and those of industry, and partly out of circumstantial factors affecting the interrelationships between agriculture and the rest of our economic life. They not only constitute a serious menace to the progress and prosperity of American industry, commerce, and trade, but are equally of great significance for our national welfare, for they deeply affect the future economic development, the social advancement, the political unity and the national security of the United States. This situation presents a far-reaching question of national policy and therefore demands clear and full understanding, careful and openminded consideration, and earnest effort toward readjustment on the part of all major economic groups in our country.

FARMER'S SHARE OF NATIONAL INCOME

The National Bureau of Economic Research reports that the farmers, comprising 29.9 per cent of the total population in the United States received in 1919, 17.7

per cent of the total current income; in 1920, 13.4 per cent; and in 1921, 9.9 per cent. It is believed that the farmer's share has not risen above 15 per cent in the following years. This represents an average. In some States the condition is worse. In Illinois, for illustration, the farmers comprising 17 per cent of the State's population received in 1921 less than 4 per cent of the total current income; in Nebraska, farmers comprising 45.1 per cent of the total population received in 1921 only 10.6 per cent of the total current income. (See "Income in the Various States", by Dr. W. I. King, economist.)

FARM VALUES BELOW PRE-WAR

The total value of all farm property in 1913 was $45,227,000,000; in 1920, $79,607,000,000; and in 1925, $59,154,000,000. Reduced to terms of 1913 purchasing power, however, the total value of all farm property in 1925 was only equal to $38,188,000,000 of 1913 purchasing power. In other words, all farm property in the United States in 1925 had only 84.4 per cent of its purchasing power in 1913.

Farm lands in the United States as a whole have an acutal exchange value or purchasing power approximately 20 per cent less than the purchasing power of the same land in 1910, according to comparative figures from the United States Bureau of Census for 1910 and 1925.

The farm lands of the 12 North Central States had an exchange value in 1925 of only 78.96 per cent of their 1910 purchasing power. The extreme case was found in Indiana, where the census figures show the 1925 farm-land purchasing power to be only 61.25 per cent of the purchasing power of the same land 15 years ago.

The purchasing power of farm lands of other States in the North Central group in 1925 compared with 1910 (based on Bureau of Census figures), is given as follows:

Iowa	90.07	Kansas	76.41
Missouri	69.71	Ohio	64.56
North Dakota	71.28	Illinois	71.1
South Dakota	85.27	Wisconsin	85.07
Nebraska	84.36	Michigan	80.04

FARM DEBT REMAINS UNPAID

As a result of high costs and impaired income of the farmer, the total farm indebtedness in the United States, which was estimated at $4,320,000,000 in 1910 had grown to $12,250,000,000 in 1920 and stands at approximately that figure to-day. The real debt is larger than the figures indicate because prices of commodities which must pay the debts are, in many instances, lower than they were when the debt was incurred.

The foregoing facts and figures indicate both a measurement of the farmer's ability to pay and the extent of the redistribution of wealth between farm and other industries that has taken place and is continuing in the United States.

III. Government Relation to Problems

GOVERNMENT ASSISTANCE NECESSARY

The big problems of American agriculture to-day are beyond the power of individual farmers or of their relatively small organizations to solve.

As heretofore explained, these problems arise out of the fact that prices of farm products are uncertain and unprofitable, due (1) to seasonal variations in yield, and (2) to competition with the products of European and Asiatic peasant labor, and of new lands with low production costs. The best judgment is that the remedy will be found (1) in carrying products over from fat years to lean years and equating a price based on supply and demand over a period of years rather than for one year, and (2) in managing the surplus so as to make the tariff on agricultural products effective.

To do these things requires a reservoir of money and credit after the manner of the capital stock of the Federal reserve banks. Because of the essential differences between agriculture and banking, the methods of creating such funds must be different. The recapture clause in the transportation act is an illustration of a different application of the same principle to the stabilization of the railroads.

It is evident that it is impossible for American farmers in their present situation to acquire funds necessary to establish a great reservoir of capital to accomplish these purposes. The interest of the Government and of the public in the solution of this problem is admitted. In their eagerness for relief the American farmers have asked the Government to establish by law the machinery by which they may contribute to this fund through a small fee or charge collected on their crop. But your committee felt it unwise to provide for the immediate imposition of the fee on some commodities and to defer it on others, or to impose it immediately on all commodities without allowing the board time in which to test out its operations and to arrange the mechanism for the collection of the fees.

Deferment of the collection of equalization fees during the two-year period was unanimously agreed to by the representatives of the farm organizations after the Corn Belt and northern groups had spent considerable time in conference with representatives of the cotton growers. The bill as it is drawn, therefore, has the unanimous support of all farm organizations, both of the North and of the South that have appeared before the committee in connection with this legislation. Representatives of these organizations joined in the following statement setting forth their position:

Ever since we made the fight for the McNary-Haugen bill the farm organizations have taken the position that they do not want a subsidy; that if given a measure that will make the tariff 100 per cent effective for agriculture we will be more than glad to absorb the losses on the various surpluses. And we do not at this late date propose to abandon this position. In other words we do not propose to place any Member of Congress in position to say that we were not sincere when we said we were not asking a subsidy.

However, since the representatives of the American Cotton Growers' Exchange and certain members of the House Committee on Agriculture have said to us that they believed that the enactment of farm-relief legislation will be enhanced by agreeing that the equalization fee shall be postponed for two years with the understanding that in the meantime the loss on the surplus be made up out of the revolving fund, as representatives of the undersigned farm organizations we have given our consent to such a change. All we ask is that the principle and purpose of the equalization fee shall be strictly adhered to during the proposed two-year period.

For the foregoing reasons provision has been made that the collection of the equalization fee shall be deferred for a period of two years and the operation of the board during that time financed from funds drawn from the revolving fund provided by the Government.

PRECEDENTS ARE MANY

The theory upon which this proposal is predicated is a sound one and has ample precedent. It has long been the policy of the Government to invest funds and take the risk of working out great national problems beyond the power and the ability of its individual citizens. For many years the Government has expended annually millions of dollars through its experiment stations and agricultural colleges in testing out new theories of agricultural production. This large expenditure is justified upon the ground that individual farmers can not afford to employ the scientific talent and incur the risk of trying out and making tests of new theories which may prove to be of great national benefit. Therefore the Government makes the expenditure and incurs the risk.

As our population increased it was believed that many millions of acres of arid land could be reclaimed and brought to a high state of productivity if only large dams were constructed and water impounded for irrigation. This great experiment was beyond the power of individual citizens. The risk was too great to attract private capital. Therefore the Government in the public interest

undertook the experiment, made the investment, assumed the risk, and when it had been demonstrated that projects were feasible they were turned over to the public and the Government retired from the enterprise.

The building of transcontinental railroads was another pioneer investment and risk taking of the national Government. Private capital could not be obtained for building these great lines without Government participation. The investment was precarious. The results were uncertain, yet there was a national feeling that the experiment was worth the making. Therefore the Government invested billions of dollars, taking all the chance of an entire loss.

These Government ventures and demonstrations have all been part of a national policy that has expanded agriculture's production without thought to its relation to market requirements at home or abroad. Since the existing agricultural problem is in so large a degree the result of Government activity in the past, it is difficult to escape recognition of some Government responsibility for such experiments and demonstrations as are necessary in working out its solution. In this connection the national policy to increase production and decrease consumption of farm products during the late war has a distinct significance.

PIONEERING FOR GENERAL WELFARE

The principle is well established that the Government shall assume the risk of pioneering and experimenting in many fields where the public interest is involved, and do so in behalf of the public welfare.

In its merchant marine policy the Government readily undertook the burden, made the investment, and assumed the risk of opening up new shipping lines and carrying the burden until such a time as those lines could be brought to a profitable basis and transferred to private capital. Total Federal expenditures for the United States

Shipping Board have amounted to approximately $2,800,000,000.

Muscle Shoals is another case in point. The national welfare called for the development of a source of nitrate in the United States. Private capital would not assume the risk. The Government made the investment, undertook the demonstration, and now is considering turning it over to private enterprise.

The Federal land bank system is a case of pioneering by the Government in new fields. The Government subscribed the total capital stock to this business, made the experiment, assumed the risk, and proved the theory. Private capital flowed into the system and it is now owned by the people benefited by it. When the intermediate credit system was established, the Government again pioneered, and contributed $60,000,000 to prove the soundness of the experiment.

To stabilize the railroad system of the country required the use of more capital and more risk taking than private capitalists would undertake. In that case the Government again demonstrated its ability as a pioneer and a risk taker in behalf of the public welfare and advanced hundreds of millions of dollars to the railroads for the purpose of stabilizing their business, taking the risk of loss and depreciation all with the view of carrying out a great experiment in stabilization in behalf of the public welfare. Government expenditures growing out of the Federal control of railroads amounted to approximately $2,000,000,000.

AGRICULTURE'S PROBLEM UNSOLVED

The greatest unsolved problem in America to-day is the problem of agriculture. At the base of this problem are unstable and uncertain prices. Farmers believe that by certain methods and mechanism prices can be stabilized. If their ideas are wise and sound, and they are

put into practice, the result will be of incalculable benefit to the entire American public. There is not available sufficient private capital to take the risk of testing the soundness of the plan.

This bill proposes that the Government, in line with its traditional policy of pioneering and risk taking in behalf of the public welfare, shall provide the fund and take the risk for two years of making the experiments, of gaining the experience which may be passed on to the farmers themselves. The bill expressly provides that this two-year period is a period of test and experiment.

IV. Analysis of the Bill

DECLARATION OF POLICY

Section 1 of the bill declares the policy of Congress as follows:

> It is hereby declared to be the policy of Congress to enable producers of agricultural commodities to control a supply of such commodities sufficient to stabilize their markets against undue and excessive fluctuations and to distribute the benefits and costs thereof to all producers of such commodities; to minimize speculation and waste in marketing; to encourage the organization of producers of agricultural commodities into cooperative associations; to protect domestic markets against world prices and assure the maximum benefits of the tariff upon agricultural commodities; and to provide for the control and disposition of the surpluses of agricultural commodities, for the purpose of promoting the orderly marketing of agricultural commodities in interstate and foreign commerce.

FEDERAL FARM ADVISORY COUNCIL

In order to give the producers themselves a direct voice in the administration of the law and to impose responsibility upon them, section 2 of the bill establishes the Federal farm advisory council, composed of four members from each of the 12 Federal land bank districts. The members will be elected annually by the bona fide farm organizations and cooperative associations, and will serve without compensation, except that they may be paid

a $20 per diem compensation while attending meetings of the council.

Section 3 prescribes the duties of the council, and provides for the nomination to the President of three individuals from each of the 12 Federal land bank districts for appointment to the board (nominees from each district to be selected by the council members from that district), nominations to fill vacancies, annual meetings, and special meetings on majority petition.

FEDERAL FARM BOARD

The administration of the bill is vested in a Federal farm board, which will consist of the Secretary of Agriculture and 12 members to be appointed by the President and the Senate (sec. 4). Section 5 of the bill provides for six-year terms, the terms of four of the members expiring every two years; fixes the method of filling vacancies; requires the vote of the majority of the appointed members in office to the approval or authorization of any matter by the board, and fixes the salary at $10,000 per annum.

Section 6 vests in the board certain general powers, including the selection of a chairman, the establishment of offices, and the appointment of a secretary, experts, and other officers and employees, and requires the board to make an annual report to Congress. The classification act and the civil service laws are made applicable to the officers and employees, other than the secretary and experts.

Section 7 grants special powers and imposes certain duties, such as the meetings of the board at the call of the Secretary of Agriculture, the chairman, or a majority of the members, and securing and disseminating information.

CONTROL AND DISPOSITION OF SURPLUS

Section 8 of the bill relates to the control and disposition of the surplus of cotton, wheat, corn, butter, cattle,

and swine (defined as "basic agricultural commodities"), and the food products of wheat, corn, cattle, and swine. Except for the dissemination of information and the furnishing of recommendations, the principal method of control will be by agreements between the board and private agencies. The board can not enter into such agreements until, as a result of its investigations, it has determined the existence of the conditions enumerated in detail in subdivision (c). The operations of the board may be commenced upon any basic commodity, and will continue until terminated by the board.

During its operations the board will assist producers, by entering into agreements under which the board will pay losses, costs, and charges arising out of the purchase, storage, sale, or other disposition of the commodity or its food products, or out of contracts therefor. The transactions must be in accordance with the terms and conditions of the agreement. Profits arising out of the transactions will be paid to the board and will be deposited in the proper equalization fund. The board may make advances out of the equalization fund for the commodity in order to finance the transactions.

Agreements will be made with the cooperative associations engaged in handling the commodity or with a corporation or association created by them, or with persons engaged in processing the commodity, or with other agencies if the board is of opinion that there is no cooperative association capable of carrying out the agreement.

Protection against undue enhancement of price and excessive losses is provided under subdivision (f).

EQUALIZATION FEES

One of the fundamental purposes of the bill is to provide a method whereby the producers of the basic commodities may themselves finance the transactions necessary to the orderly marketing and disposition of their

commodity. The fee is imposed as a regulation of interstate and foreign commerce, and its constitutionality is considered in the report of the committee on the first McNary-Haugen bill. (Rept. No. 631, 68th Cong., 1st sess., pp. 61-79.)

Obviously, the amount of the fee can not be determined in advance. Therefore the bill (sec. 10) vests in the board the power, within the standards laid down, to determine from time to time the amount to be collected.

After the expiration of two years from the date of the passage of the act, if the board determines to begin operations, or to continue operations theretofore commenced, in respect of any basic commodity, the fee will be paid upon the processing or sale (as the board has determined) of the designated unit of weight, measure, or value of the commodity. In order to provide for a distribution of any excess which might be collected, the board may provide for the issuance of serial receipts to the producers.

The funds for each basic commodity are segregated, and all expenditures are made from the fund for the particular commodity. The board may make advances to any fund out of the revolving fund. During the first two years of operations the only method of financing the operations is by making advances out of the revolving fund. Thereafter the equalization fees and profits should be sufficient, and the advances should be only in anticipation of the collection of the fees and the deposit of the profits.

When an equalization fund reaches an amount in excess of that required, the board is authorized, under subdivision (d) of section 12, to distribute the excess to the holders of the serial receipts by retiring outstanding receipts in their serial order and at their actual value, as shown by the ratio of the value of the assets of the fund to the aggregate face value of all outstanding receipts for fees paid into it.

CONTROL OF SURPLUS OF OTHER COMMODITIES

The surplus problem is present in many of the other agricultural products, though usually in the form of sectional or seasonable surpluses. The proper control of any such surplus presents primarily marketing and storing problems. In order to assist cooperative associations in controlling a surplus, section 13 of the bill authorizes the board to make advances out of the revolving fund. The board is also authorized to make advances out of the revolving fund to cooperative associations for the purpose of assisting them in the purchase or construction of facilities to be used in storage or processing any agricultural commodity. The board may provide for the repayment of any such loan on an amortization plan over a period not to exceed 20 years.

Section 14 of the bill requires at least an annual audit of the books and accounts of the board by such auditors as the President or the board may direct, and requires that the report of the auditors be included in the board's annual report to the Congress.

COOPERATION OF EXECUTIVE DEPARTMENTS

Section 15 of the bill requires that governmental establishments cooperate with the board upon its request or upon Executive order. Your committee is of the opinion that many of the functions of the board, such as the collection and dissemination of statistics and the collection of the equalization fees, will thus be performed by existing governmental establishments with substantially no additional expense. Any expense incurred, however, may be reimbursed by the board out of its appropriations for its expenses.

DEFINITIONS

Section 16 defines certain of the terms used throughout the bill. The definition of the terms "processing" and

"sale" are particularly important, inasmuch as they relate to the collection of the fee. For example, in the case of wheat, if the board determines that the most practical point for the collection of the fee is at the processing point, the fee will be collected upon the milling of the wheat for market or the first processing in any manner for market (other than cleaning or drying) of wheat not so milled, after the board has begun its operations in respect of wheat; or in the event that the fee is to be paid upon the sale, it will be collected upon the first sale or other disposition in the United States of wheat for milling or other processing for market, for resale, or for delivery by a common carrier, after the beginning of the operations, and upon the processing, after the beginning of operations, of any wheat if not acquired in pursuance of any such sale. Under this provision it will be noted that the fee will be collected upon stocks on hand at the time of the beginning of operations. It will be noted that all of the sales which are a step in placing the commodity in commerce will bear their burden, and that only those transactions where the cost of collection would exceed the amount collected are exempt. Transfers to cooperative associations for the purpose of sale on account of the transferor are exempt because the fee will be paid upon the sale by the association. Protection is afforded in the case of sales under contracts entered into at a time when a particular fee is payable or at a time when no fee is payable.

REVOLVING FUND AND APPROPRIATION

An appropriation of $375,000,000 is authorized for the revolving fund. As previously explained, $100,000,000 of this sum is set aside for cotton, $250,000,000 for the other basic agricultural commodities, and $25,000,000 to assist cooperative associations in handling other agricultural products and in the acquisition of storage and

processing facilities. Payments out of the Treasury into the fund will be made from time to time as the board deems necessary.

The sum of $300,000 is authorized to be appropriated for administrative expenses, and is specifically made available for expenses incurred prior to July 1, 1927, in order that the board may commence functioning as early as possible. When the bill becomes law, it will be sufficient authority in itself for future appropriations.

REGULATION OF IMPORTS

Section 18 of the bill provides that whenever the President of the United States finds that the importation of any commodity upon which the board is operating, or any derivative thereof or competitive substitute therefor, is increasing materially or is likely to increase materially the losses payable out of the equalization fund for the commodity, he shall by proclamation declare such fact. On and after the day following the proclamation and until otherwise ordered by the President or by Congress, the importation of the commodity, or the derivative or substitute, is prohibited, except under such regulations and subject to such limitations and exceptions as the President may prescribe. This provision is substantially the same as in other laws.

ALL PARTY PLATFORMS PROMISED RELIEF

Republican

In dealing with agriculture the Republican Party recognized that we are faced with a fundamental national problem and that the prosperity and welfare of the nation as a whole is dependent upon the prosperity and welfare of our agricultural population.

We recognize our agricultural activities are still struggling with adverse conditions that have brought about dis-

tress. We pledge the party to take whatever steps are necessary to bring back a balanced condition between agriculture, industry and labor, which was destroyed by the Democratic Party through an unfortunate administration of legislation passed as wartime methods.

We affirm that under the Republican Administration the problems of the farmer have received more serious consideration than ever before, both by definite executive action and by Congressional action, not only in the field of general legislation but also in the enactment of laws to meet emergency situations.

The restoration of general prosperity and the purchasing power of our people through tariff protection has resulted in an increased domestic consumption of farm products while the price of many agricultural commodities are above the war price level by reason of direct tariff protection.

Under the leadership of the President at the most critical time, a corporation was organized by private capital making available $100,000,000 to assist the farmers of the Northwest.

In realization of the disturbance in the agricultural export market, the result of the financial depression in Europe, and appreciating that the export field would be enormously improved by economic rehabilitation and the resulting increased consuming power, a sympathetic support and direction was given to the work of the American representatives on the European Reparation Commission.

The revival in 1921 of the War Finance Corporation, with loans of over $300,000,000, averted in 1921 a complete collapse in the agricultural industry.

We have established new intermediate credit banks for agriculture and increased the capital of the Federal Farm Loan system. Emergency loans have been granted to drought-stricken areas. We have enacted into law the

Cooperative Marketing act, the Grain Futures and Packer Control acts; given to agriculture direct representation on the Federal Reserve Board and on the Federal Aid Commission. We have greatly strengthened our foreign marketing service for the disposal of our agricultural products.

The crux of the problem from the standpoint of the farmer is the net profit he receives after his outlay. The process of bringing the average prices of what he buys and what he sells closer together can be promptly expedited by reduction in taxes, steady employment in industry and stability in business.

This process can be expedited by lower freight rates, by better marketing through cooperative efforts and a more scientific organization of the physical human machinery of distribution and by a greater diversification of farm products.

We promise every assistance in the reorganization of the market system on sounder and more economical lines and, where diversification is needed, Government assistance during the period of transition. Vigorous efforts of this Administration toward broadening our exports market will be continued.

The Republican Party pledges itself to the development and enactment of measures which will place the agricultural interests of America on a basis of economic equality with other industry to assure its prosperity and success. We favor adequate tariff protection to such of our agricultural products as are threatened by competition. We favor, without putting the Government into business, the establishment of a Federal system of organization for cooperative marketing of food products.

Democratic

During the four years of Republican Government the economic condition of the American farmer has changed

from comfort to bankruptcy, with all its attendant miseries. The chief causes of this are:

(a) The Republican policy of isolation in international affairs has prevented Europe from getting back to its normal balance, and, by leaving unsolved the economic problems abroad, has driven the European city population from industrial activities to the soil in large numbers in order to earn the mere necessities of life. This has deprived the American farmer of his normal export trade.

(b) The Republican policy of a prohibitive tariff, exemplified in the Fordney-McCumber law, which has forced the American farmer, with his export market debilitated, to buy manufactured goods at sustained high domestic levels, thereby making him the victim of the profiteer.

(c) The Republican policy of high transportation rates, both rail and water, which has made it impossible for the farmer to ship his produce to market at even a living profit.

To offset these policies and their disastrous results, and to restore the farmer again to economic equality with other industrialists, we pledge ourselves:

(a) To adopt an international policy of such cooperation, by direct official instead of indirect and evasive unofficial means, as will re-establish the farmers' export market by restoring the industrial balance in Europe and the normal flow of international trade with the settlement of Europe's economic problems.

(b) To adjust the tariff so that the farmer and all other classes can buy again in a competitive manufacturers' market.

(c) To readjust and lower rail and water rates, which will make our markets, both for the buyer and the seller, national and international instead of regional and local.

(d) To bring about the early completion of internal

waterway systems for transportation, and to develop our water powers for cheaper fertilizer and use on our farms.

(e) To stimulate by every proper governmental activity the progress of the cooperative marketing movement and the establishment of an export marketing corporation or commission in order that the exportable surplus may not establish the price of the whole crop.

(f) To secure for the farmer credits suitable for his needs.

(g) By the establishment of these policies and others naturally supplementary thereto, to reduce the margin between what the producer receives for his products and the consumer has to pay for his supplies, to the end that we secure an equality for agriculture.

La Follette

The present condition of American agriculture constitutes an emergency of the greatest character. The Department of Commerce report shows that during 1923 there was a steady and marked increase in dividends paid by the great industrial corporations. The same is true of the steam and electric railways and practically all other large corporations. On the other hand, the Secretary of Agriculture reports that in the fifteen principal wheat growing states more than 108,000 farmers since 1920 have lost their farms through foreclosure or bankruptcy; that more than 122,000 have surrendered their property without legal proceedings; and that nearly 375,000 have retained possession of their property only through the leniency of their creditors; making a total of more than 600,000, or 26 per cent of all farmers who have virtually been bankrupted since 1920 in these fifteen states alone.

Almost unlimited prosperity for the great corporations and ruin and bankruptcy for agriculture is [sic] the direct and logical result of the policies and legislation which deflated the farmer while extending almost unlimited

credit to the great corporations; which protected with exorbitant tariffs the industrial magnates but depressed the prices of the farmers' products by financial juggling while greatly increasing the cost of what he must buy; which guaranteed excessive freight rates to the railroads and put a premium on wasteful management while saddling an unwarranted burden onto the backs of the American farmer; which permitted gambling in the products of the farm by grain speculators to the great detriment of the farmer and to the great profit of the grain gambler.

We favor drastic reduction of the exorbitant duties on manufacturers provided in the Fordney-McCumber tariff legislation, the prohibiting of gambling by speculators and profiteers in agricultural products, the reconstruction of the Federal Reserve and Federal Farm Loan systems so as to eliminate control by usurers, speculators, and international financiers, and to make the credit of the nation available upon fair terms to all and without discrimination to business men, farmers, and home builders. We advocate the calling of a special session of Congress to pass legislation for the relief of American agriculture. We favor such further legislation as may be needful or helpful in promoting and protecting cooperate enterprises. We demand that the Interstate Commerce Commission proceed forthwith to reduce by an approximation to prewar levels the present freight rates on agricultural products, including live stock, and upon the materials required upon American farms for agricultural purposes.

BRIEF EXCERPTS

There is no more reason why the farmer should not have a bounty on wheat and cotton than that the American Woolen Company, for example, should have a tariff on its products.—*World's Work.* 50:463. *September,* 1925.

It has been demonstrated beyond any doubt that 6,000,000 farmers can not organize cooperatively without the assistance of the Government, and I believe that the Haugen bill will stimulate and encourage cooperation to the fullest extent.—*August H. Andersen. Congressional Record.* 67:8942. *May 7,* 1926.

Congress has properly taken care of industry, business and labor by subsidy and otherwise. These groups represent two-thirds of our population, and the effect of such legislation has worked wonders in developing and maintaining their economic prosperity. Why, then, is it not proper that we should take care of the other third of our population?—the farm producers, and complete the prosperity picture.—*August H. Andersen. Congressional Record.* 67:8942. *May 7,* 1926.

The Secretary of the Treasury has said that the principle of the [McNary-Haugen] bill is false because it levies a tax on the American consumer in the interest of certain American producers. That is just exactly what is being done under the tariff act of 1922. Tribute has been levied and is being levied upon the great body of the farmers and other consumers for the benefit of the manufacturers of the nation and of manufacturing concerns with some of which the Secretary of the Treasury is closely identified.—*Joseph T. Robinson. Congressional Record.* 67:11358. *June* 16, 1926.

A manufacturer can gauge the capacity of his market with more or less accuracy, and regulate his output accordingly. A farmer may have his crop either ruined or largely increased over his expectations by weather conditions wholly beyond his control and past the power of man to forecast. Surpluses are bound to occur at times and shortages at others. And a surplus is desirable from the standpoint of producer and consumer alike. It

therefore should not operate to the disadvantage of him who produces that surplus.—*Frank O. Lowden. Manufacturers' Record.* 89:61. *March* 11, 1926.

In June, 1917, wheat reached $3.07 on the Chicago market. In July, 1917, the American wheat farmer commenced to market a total of 636,655,000 bushels of wheat, but his market was stabilized by the Government at $2.17 per bushel the whole year on the Chicago market. The consumer was benefited, not subsidized, 90 cents per bushel, or in round figures more than $590,999,000 in one year. It is thought by many if the Government had not interfered the price would have gone to $4 or $5 per bushel, which would have added at least $2,500,000,000 to the farmer's income that year to have liquidated some of his obligations he had contracted at inflated values. There was no "whining" by the farmer that he was subsidizing the consumer, yet most of his home consumers were furnishing war material, charging all "the traffic would bear," some of them getting cost plus, and the more cost the more plus.—*Charles Adkins. Congressional Record.* 67:8844. *May* 6, 1926.

The farmers think that Mr. Mellon is a high protectionist for the goods which Pennsylvania produces and a free trader for the goods which Pennsylvania buys. The purpose of the Haugen bill, as Mr. Mellon points out, is "to raise the price in the home market" by taking the surplus "off the home market." It is apparent, he says, that the effect of this bill will be to increase "the cost of living to every consumer of the five basic agricultural commodities." That is true. But why should Mr. Mellon object? If we may be pardoned for referring to the subject of aluminum once more, we may note that the Fordney-McCumber Tariff Act of 1922 more than doubled the protective tax on the products of Mr. Mellon's aluminum company. We are not aware that Mr.

Mellon at that time or since wrote a letter to a Congressman objecting to this measure for increasing "the cost of living to every consumer." Mr. Mellon did not object when the Tariff Act cut down the import of aluminum manufactures from $2,061,577 in 1921 to $749,460 in 1923 and to $356,142 in 1925. Nor did he object because the price of aluminum, which ranged from 18 to 22 cents before the tariff of 1922, has now reached 27 cents. These cold and brutal figures could be paralleled for most of the commodities on which Pennsylvania has insisted there should be a high tariff.—*Editorial. New York World. June* 16, 1926.

Mr. Mellon makes no reference to one contention of the farmers who clamor for the Haugen bill. They say that the Republican policy is by tariff legislation to give a subsidy to manufacturers. This, instead of helping the farmers, hurts them. They assert that if the Government is in the business of dealing out subsidies, it is their turn to demand and receive one. As a high-tariff Republican, Secretary Mellon does not find it discreet to refer to this matter. Yet it is plain that on this subject the farmers could turn his own argument against him. He objects that the Haugen bill is intended to raise prices to American consumers. That also is the intent and often the effect of protective duties. The Secretary thinks it unsound and well-nigh outrageous to favor a plan which will enable foreigners to "secure American commodities at prices below the American level." But precisely that is done under the operation of our tariff laws, with their supplementary legislation permitting American corporations to combine for the export trade so as to sell abroad cheaper than at home. More will be heard of this after the Haugen bill fails, as in its present form it must fail. If the farmers of the Middle West do not cool off they will be tempted to ask Secretary Mellon and President Coolidge ugly questions about the protective tariff and to

declare that out of its own mouth the administration stands condemned.—*Editorial. New York Times. June* 16, 1926.

NEGATIVE DISCUSSION

PRICE FIXING DANGEROUS[1]

Everyone knows that the farmer, who is often least able to bear it, went through the most drastic deflation. Considered as a whole, his position has steadily improved since 1921. I do not mean that land values or prices have reached their former level. That was not to be expected. But I do mean that, generally speaking, the present business of farming as a whole is beginning to be profitable. Of course there are exceptions to be made of localities, individuals, and crops. Some people would grow poor on a mountain of gold, while others would make a good living on a rock. We can not bend our course to meet the exceptions; we must treat agriculture as a whole, and if, as a whole, it can be placed in a prosperous condition the exceptions will tend to eliminate themselves.

There have been discussions which seem to indicate some fear that our agriculture is becoming decadent, that it has already reached its highest point, and that, becoming unprofitable, it is likely to diminish. Nothing in the appearance of the country or of its people as I have traveled over it has seemed to indicate any deterioration, nor do I find anything in the farm census and reports that warrants this conclusion.

It is true that there is an increasing interchange of population between the city and the country. With the coming of the automobile many of the city people are moving out into the country, and with the increasing use of machinery some of those formerly employed on the farm have been released for employment in the industries.

[1] By President Coolidge. Address before the annual convention of the American Farm Bureau Federation at Chicago, December 7, 1925. p. 5-12.

For the past 15 years urban population has been increasing, while farm population and the number of farms have slightly decreased. This has reversed the condition that existed before that period. But this is only a part of the story.

The real question is not the numbers employed but the amount of production. If that should appear to be inadequate to meet our requirements for food and raw materials, if the morale of the farmers should be breaking down, the situation might be serious. Such does not appear to be the fact. In intelligence, in education, in the general standards of living, farm life was never so well equipped as it is to-day. In the past 45 years, which roughly marks our great industrial development, the index number of production rose from 100 to 237, while that for population is estimated to be but 226. Production has outrun population, according to the statistics of the Harvard Service. While the number of farms and people engaged in farming was slightly less in 1924 than in 1910, production in 1923 and 1924 was 15 per cent greater than in 1910. Fewer people but more production means each person on the farm will receive more.

It is not only production, however, but price that is important to the farmer. The value of his produce for 1924, excluding crops fed to animals, was about $12,136,000,000. The estimates for the present year are about the same. This compares with $3,549,000,000 in 1900. According to estimates, the number of people on farms in 1924 was about 10 per cent greater than in 1900. The amount of money received was about 350 per cent greater. But as the general price level of all commodities had greatly advanced, measured in purchasing power the amount received was only about 90 per cent greater. This means that 110 per cent of people engaged in agriculture received 190 per cent more in 1924 than they did in 1900. While it is true that there was a great decline in farm

prices in 1920 and 1921, and an even greater decline in the purchasing power of farm produce compared with other commodities, yet since that time farm prices have risen more rapidly than other commodities, so that the purchasing power of farm produce has risen also. The tendency appears to be to bring agriculture as a whole back to the same relative economic position that it occupied before the war. While general production, prices, and living conditions on the farm are improving, there is little ground for fear that agriculture is becoming decadent; yet some areas are still depressed; debts and taxes still remain.

Although it is gratifying to know that farm conditions as a whole are encouraging, yet we ought not to cease our efforts for their constant improvement. We can not claim that they have reached perfection anywhere, and in too many instances there is still much distress. Various suggestions of artificial relief have been made. Production has been ample, but prices compared with the war era have been very much reduced, although they are now considerably improved. The proposals made have, therefore, had the purpose of increasing prices.

One of the methods by which this has been sought, though put forward chiefly as an emergency measure as I understand from its proponents, was to have corporations organized through which the Government would directly or indirectly fix prices or engage in buying and selling farm produce. This would be a dangerous undertaking, and as the emergency is not so acute, it seems at present to have lost much of its support. No matter how it is disguised, the moment the Government engages in buying and selling, by that act it is fixing prices. Moreover, it would apparently destroy cooperative associations and all other marketing machinery, for no one can compete with the Government. Ultimately it would end the independence which the farmers of this country enjoy as a

result of centuries of struggle and prevent the exercise of their own judgment and control in cultivating their land and marketing their produce.

Government control cannot be divorced from political control. The overwhelming interest of the consumer, not the smaller interest of the producer, would be sure to dominate in the end. I am reliably informed that the secretary of agriculture of a great foreign power has recently fixed the wages of farm labor in his country at less than $5 per week. The government price is not always a high price. Unless we fix corresponding prices for other commodities, a high fixed price for agriculture would simply stimulate overproduction that would end in complete collapse. However attractive this proposal was at first thought, careful consideration of it has led to much opposition on the part of the farmers. They realize that even the United States Government is not strong enough, either directly or indirectly, to fix prices which would constantly guarantee success. They are opposed to submitting themselves to the control of a great Government bureaucracy. They prefer the sound policy of maintaining their freedom and their own initiative as individuals, or to limit them only as they voluntarily form group associations. They do not wish to put the Government into the farming business.

Others have thought that the tariff rates were unfavorable to the farmer. If this should be a fact, it ought to be corrected. Let us examine our imports. Last year their gross value was $3,610,000,000, but $2,080,000,000, or 57 6/10 per cent, came in wholly free of duty. This free list was constructed especially to favor the farmer, and contains more than 50 articles which he purchases, like fertilizer, leather harnesses, farm machinery, coffee, binder twine, barbed wire, and gasoline.

Of the $1,530,000,000 of goods paying imports, $780,000,000 was upon agricultural products, levied solely to

protect the farmer, including animal and dairy products, grain, flax, wool, sugar, nuts, citrus fruits, and many others. If any farmer wants to get an accurate and full list of his products which are protected and his purchases which come in free, let him go to his public library and consult Official Document No. 33, comparing the last three tariff acts. Thus 80 per cent of our imports either come in free or pay a duty to protect the farmer. This must be further increased by $250,000,000 more of imported luxuries like diamonds, fine rugs, silks, cut glass, jewelry, and mahogany. These items can not affect the prosperity of the farmer. This brings the total of imports up to 88 per cent which are either free, or luxuries, or protected to help the farmer, and leaves only 12 per cent of our imports upon which the agricultural industry pays any part of the tariff.

But, on the other hand, our industrial and city population pays the tariff on the $780,000,000 worth of agricultural imports and also participates in the $500,000,000 worth of imports outside of luxuries. While the farmer pays part of the duties on 12 per cent of our imports which do not benefit him, industry and commerce pay part of the duty on 36 per cent of the imports which do not benefit them.

But if we take all that the farmer buys for his household and farm operation and subtract from it articles dutiable to protect the farmer, the free list, and luxuries, we should have left less than 10 per cent of his expenditures. This means that less than 10 per cent of farm purchases are at an increased cost which is adverse to the farmer. Admitting that the price of these purchases is increased by the full amount of the duty, this means that the total adverse cost to the farmer on account of the tariff is only between 2 per cent and 3 per cent of his purchases.

Many economists consider that even this calculation as to the contribution of our farmers to the tariff is over-

estimated. As their expenditures include many items for labor and service on which there is no duty, the proportion of total expenditure on dutiable articles outside the three lists above mentioned is not 10 per cent, but only 3 per cent or 4 per cent of his total expenditures. Thus, even assuming that the farmer pays tariff on this ratio of goods, his expenditures would only be increased by one-third of 3 per cent or 4 per cent, or not over 1 1/3 per cent.

On the other side, protection is a great benefit to agriculture as a whole. The $780,000,000 of agricultural produce imported last year had to pay $260,000,000 for the privilege of coming in to compete with our own farm production. If these were admitted free of duty, they would no doubt greatly increase in volume, reduce present farm prices, and result in much lower standards of living on our farms. We are also exporters as well as importers. Protection greatly aids diversification and so eliminates an unprofitable surplus. Under our tariff our flax acreage has increased from 1,641,000 in 1921 to 3,093,000 in 1925. Much of this would otherwise have been devoted to wheat, increasing the surplus and further demoralizing that market. The same principle holds in relation to sugar, wool, and other agricultural products.

It has been thought that protection does not help agricultural products. Any study of dairy products, flax, wool, and the many other commodities, will demonstrate that it does. Even wheat, where we are exporters, shows its effect. If we take Buffalo, to secure a point of common contact, American No. 1 Dark Northern is 25 cents to 35 cents higher than Canadian, No. 2 Dark Hard Winter is 37 cents to 42 cents higher, and No. 2 Red would be 45 cents to 46 cents higher. Contract wheat for future delivery in Chicago has been usually as high as future deliveries in Liverpool, although the difference in freight is about 20 cents a bushel, which means that our wheat is now about that much above world price levels. The

question is complicated with different grades and qualities, some of which do not show the same differences.

But the largest benefits accruing to the farmer come from supplying him with home markets. What the farmer raises must either be sold at home or sent abroad. Our per capita consumption of butter, sugar, meats, eggs, milk, and tobacco is far above those of foreign countries. When the depression of 1920 came and 5,000,000 of our wage earners were unemployed, their consumption of the more expensive agricultural supplies, such as animal products, fell 18 per cent below what it had been before and what it became again when employment increased. This was more than the amount of our exports. Prosperity in our industries is of more value to the farmer than the whole export market for foodstuffs. Protection has contributed in our country to making employment plentiful with the highest wages and highest standards of living in the world, which is of inestimable benefit to both our agricultural and industrial population. General economic stability is of the utmost importance to the farmer, and a depression in industry with the attendant unemployment would do the farmer an incalculable injury.

If the price fixing and tariff revision do not seem to be helpful, there are other proposals that do promise improvements. For financing the farmer we are developing the farm loan and intermediate credit banks. These have put out about $1,200,000,000 of loans at moderate rates to about 350,000 farmers. In addition, there is the general banking system, National and State. All of these agencies need to give more informed attention to farm needs. They need more energy in administration. They should be equipped to supply not only credit but sound business advice, and the farmers to a much better extent should learn to use all these facilities.

For a more orderly marketing calculated to secure a better range of prices the cooperative movement promises

the greatest success. Already they are handling $2,500,000,000 of farm produce, or nearly one-fifth of the annual production. The disposition of surplus produce has been discussed. If by this is meant the constant raising of a larger supply than is needed, it is difficult to conceive of any remedy except reduced production in any such commodity. But there are, of course, accidental surpluses due to more favorable weather conditions, which are unavoidable and which ought to be managed so that they can be spread over a year or two without depressing prices. The initiative of the farmers themselves, with such assistance as can be given them by the Government without assuming responsibility for business management, through financing and through the cooperative movement, would appear to be a wise method of solving this problem. Of course, I should be willing to approve any plan that can be devised in accordance with sound economic principles.

To have agriculture worth anything, it must rest on an independent business basis. It can not at the same time be part private business and part Government business. I believe the Government ought to give it every assistance, but it ought to leave it as the support, the benefit, and the business of the people. The interest which the National Government takes in agriculture is manifest by an appropriation of about $140,000,000 a year, which is nearly one-fifth of our total expenditure, exclusive of the Post Office, prior to the war. I do not need to recount what is being done for education and good roads, for opening up our waterways, or the enormous activities of the Department of Agriculture which reach to almost every farmer in the land.

The most important development of late years has been the cooperative movement. With the economic information furnished by the department, which was of such great value to the hog and potato industries for the last year or two, with better warehouse and storage facili-

ties and a better credit structure, much can be done to take care of the ordinary surplus. With a production influenced by information from the department, with adequate storage, supplied with necessary credit and the orderly marketing effected through cooperative action, agriculture could be placed on a sound and independent business basis. While the Government ought not to undertake to control or direct, it should supplement and assist all efforts in this direction. The leaders in the cooperative movement, with the advice of the Department of Agriculture, have prepared what is believed to be an adequate bill embodying these principles, which will be presented to the Congress for enactment. I propose actively and energetically to assist the farmers to promote their welfare through cooperative marketing.

Under the working out of the provisions of this bill the farmers would have the active and energetic assistance of the Government in meeting the problem of surplus production. Through consultation and conference the best experts of the country would be employed as the needs require and methods of storage, credit, and marketing would be devised. The agencies created would have at their disposal the active cooperation of the great organizations of the Departments of Agriculture, Commerce, and Federal banking. Their representatives at home and abroad would be engaged in locating and supplying domestic and foreign markets. The fundamental soundness of this proposal rests on the principle that it is helping the farmer to help himself. Already the cooperative effort in raisins and other products has met with marked success by adopting this plan.

It would be a great mistake to underestimate the difficulties under which the farmers labor. They are entitled to all the sympathy and help which the Government can give them. But I feel they are also entitled to consider the encouraging features of their situation. Human nature is on their side. We are all consumers of food. The

more prosperous we become, the more we consume of the higher-priced products. In the past, farm prices have always tended to get the better of industrial prices. In the period from 1820 to 1860 there was a general rise of all commodities, but farm prices increased about 50 per cent more than other commodities. After the Civil War, from the seventies to 1896, there was a decline in all commodities, but farm prices declined less, so that their purchasing power actually increased. From 1896 to 1913, according to the Bureau of Labor Statistics, the index number of farm prices rose 82 per cent while that of other prices rose but 37 per cent. It was this great increase in the price of food products which brought about the complaint and discussion of the high cost of living, which everyone will recall became acute about 1911 and remained a problem of economic adjustment unsolved when the World War began.

With the coming of the great conflict an entire transformation took place. The price of all commodities rose and the price of land rose. There was a great temptation to expand. Farmers bought more land at very high prices. Then came the terrible world depression which left many involved in great debts and everybody with shrunken land values. Farm produce decreased in price faster than other commodities. These debts and shrunken values still remain as a great burden. On top of them are the war taxes which the Nation has greatly reduced, but which the local communities still tend to increase.

It is this burden which is causing distress, but history is again showing signs of repeating itself. In 1921 the price of farm produce reached its low point. According to the Department of Agriculture, however, the end of this four-year period sees the price of farm products substantially increased. Much of the debts and taxes remain, but with the prices now received the present business of farming is very much improved.

I believe that the past history of the relative trend of prices between farm products and other commodities is of tremendous significance. The surplus lands of the country are exhausted. The industrial population is outstripping the farm population. Manufacturing is expanding. These must come to the farmers for their food and their raw materials. While we can produce more, the markets for food are increasing much faster than present farm productivity. The future of agriculture looks to be exceedingly secure.

The real wealth of our country, its productive capacity, its great manufacturing plants, its far-reaching railroad system, its mighty commerce, and its agriculture did not come into being all at once, but is the result of a vast multitude of small increments brought about by long, slow, and laborious toil. Whatever a few individuals may do, the Nation as a whole and its great subdivisions of industry, transportation, commerce, and agriculture can increase by no other method. The percentage of yearly returns upon all the property of this country is low, but in the aggregate it is a stupendous sum. Unless all past experience is to be disregarded, notwithstanding its present embarrassments, agriculture as a whole should lead industry in future prosperity.

In all our economic discussions we must remember that we can not stop with the mere acquisition of wealth. The ultimate result to be desired is not the making of money, but the making of people. Industry, thrift, and self-control are not sought because they create wealth, but because they create character. These are the prime products of the farm. We who have seen it, and lived it, we know.

It is this life that the Nation is so solicitous to maintain and improve. It dwells in the open country, among the hills and valleys and over the great plains, in the unobstructed light of the sun, and under the glimmer of the

stars. It brings its inhabitants into an intimate and true relation to nature, where they can live in harmony with the Great Purpose. It has been the life of freedom and independence, of religious convictions and abiding character. In its past it has made and saved America and helped rescue the world. In its future it holds the supreme promise of human progress.

DANGERS OF THE HAUGEN BILL[2]

This Haugen bill is a wicked measure. It is full of wickedness and evil, and I will show you, I think, in a line why. It is the representative of the big business of America. It is operating in the name of agriculture. What sins are committed in that name!

One of the chief results of the Haugen bill would be to develop a powerful political machine to control the supporting industry of the country, thereby creating a central and powerful government of bureaucracy, destroying the government of democracy.

Section 8, subsection e, provides that—

> if the board is of the opinion that there is no such cooperative association capable of carrying out any such agreement, the board may enter into such agreements with other agencies.

This pretense of first offering to favor existing cooperative farm organizations is insincere in an effort to cover up the intent and purpose of the Haugen bill.

Within the last 10 days, and unquestionably in anticipation that the Haugen bill would be forced through Congress, there have been two strong mergers and combinations organized for engaging in and carrying on a flour-milling business.

One of these as the Flour Mills of America (Inc.), with a capital of $60,500,000.

This is designated as a flour-milling corporation, but

[2] By James B. Aswell. *Congressional Record.* 67: 8838-9. May 6, 1926.

the incorporation papers of this big milling operation reserve the right to engage in import and export trade in foodstuffs and general agricultural pursuits.

Coincident with this flour-milling organization, there was a $15,000,000 corporation organized in the West under the same name, the Flour Mills of America (Inc.), making a total of $75,000,000 in the two propositions.

The latter owns and controls 150 grain elevators with 7,000,000 bushels grain storage space.

The intent of these strong capitalistic corporations for the control of wheat and bread, with the authority to engage in general agricultural pursuits, needs no further explanation.

Such monopolistic corporations, with unbounded wealth, would pursue their business under a Federal law, enacted by Congress, should the Haugen bill be enacted.

These powerful corporations would be placed in a position to monopolize and make the prices for the farmers' wheat and make prices for flour in the kitchen with no regard for anti-trust laws.

The only present, organized, combined capital that can be regarded as "capable of carrying out any such agreements" with the Federal board, as provided in the Haugen bill, now engaged in processing cattle and swine, are the large packers that are now the controlling factors in the trade of this Nation and largely of Europe. Not a word of opposition to the Haugen bill has come from that source.

Under the enactment of the Haugen bill the large packers would, naturally, remain supreme with the advantages given them through the enactment of a favorable Federal law, fixing prices to stock growers, who would have to pay equalization fees on marketing their beef cattle, and the same interest would fix prices to consumers with added fees.

The bill provides three things, and only three: First, a Federal political board, with 48 members of a council, to

ride, to travel, to speed the taxpayers' money. The board is the first evil of the bill. The second is that it proposes nothing short of a direct subsidy from the Federal Treasury, exactly of the same kind that is wrecking the British Government to-day. The third provision is that it specifically and without equivocation establishes a Federal price-fixing political board to control the agriculture of America.

It proposes, when it goes into operation, to tax all the cotton. In other commodities the board decides what part of the crop shall pay the fee or tax. The cotton boys have not, perhaps, noticed that yet. It proposes to tax cotton, and promises to help in orderly marketing, but not to increase the price any. There is no tariff on cotton. I wonder what they think the cotton man's grade of intellect is when they believe that he can be induced to want to pay a tax on the promise that his price shall not be increased? It is a most extraordinary proposal.

To illustrate, I remember when I was a "one-gallus" boy on the farm I went to town one Saturday afternoon with a good horse, and I fell into the company of a very expert horse trader, and he dazzled before me the largest sum of money I had seen. He offered me $50 to boot, and I traded right on the spot. [Laughter.] When I went home I discovered my horse had staggers and spavin, and I had to go to my merchant to buy from him a horse to finish the crop. There was no dishonor on my part in that transaction, but it was an idiotic performance. [Laughter.]

Now, they dazzle before us this proposition to see if we would trade. It would be foolish to do it. I have not time to go into full details. But the Haugen bill would increase the price of corn and wheat and foodstuffs and meats, no doubt, to the purchaser, while the cost of operation and losses on the surplus would give the producers of feed and food no advantage in prices.

Taking one State of the South as an example, in the great State of Mississippi, a neighbor of mine, the people of that State devote their endeavors and fine abilities to the growing of cotton practically exclusively, and they buy from Iowa and the Northwest their feedstuffs and much of their food. The Haugen bill proposes to increase the price of wheat to the purchaser 54 cents a bushel on the average, and other feedstuffs the same. The State of Mississippi last year imported into her borders nearly $3,000,000 of feed and food. Increase that on the average of 50 per cent, and the Haugen bill would cost the people of Mississippi more than a million dollars more to buy the same food and feed that they bought last year without increasing the price of cotton and without passing this profit back to the producers of feed and food because of the cost of operation and the losses on the surplus.

Can you get a Mississippi farmer to approve such a proposal as that?

Take the State of North Carolina, which imported last year about 8,000,000 bushels of wheat for bread alone. Increase the price 50 cents a bushel, and the Haugen bill will add to the cost of the bread of North Carolina the sum of $4,000,000 a year and will not increase the price of cotton to the North Carolina farmer. It claims only to help orderly marketing of cotton. That is all it proposes. There is no tariff on cotton. The two above examples are solely from the standpoint of the southern farmer.

Now, it has been whispered around—not dishonorably; I do not mean that, because I illustrated that one could make a fool trade without being dishonest—that—

we will vote for the Haugen bill and the subsidy for two years, and then about the time the subsidy is all gone we will repeal it.

That has been said openly. I wonder who would consider that a statesmanlike position and an honorable one?

The equalization fee, effective in two years, is dishonest and unworthy of consideration, because I think I speak truthfully—without any close connection, because I think I could prove it by the gentleman from Illinois [Mr. MADDEN] when I get ready to ask him the question—when I say that if you pass the Haugen bill with an authorization of $375,000,000 you will be stranded for two years or else you will put the fee on in the next Congress, because I believe every thinking Member of this Congress knows that there is no chance of getting $375,000,000 now from the Federal Treasury. I think that will be worthy of your consideration later.

Now, my friends and gentlemen of the committee, I call your attention to another important fact. You will remember that Mr. Herbert Hoover came to the Congress and recommended the price fixing of food products during the war. He requested, as members of the committee here will remember, that they fix the price of all agricultural products. I remember that I did everything in my power to have the committee cut out cotton, and it did. Then the steel men made a fight, and they had the committee cut steel out; then the coal people raised a row, and they cut coal out of the bill; but at that time the poor wheat fellow was in the minority, and it concluded by passing legislation fixing the price on wheat, and nothing else, at $2.20 in Chicago when the market that day was $3.07.

To illustrate, I give you this: You will have a board made up of one member from each land-bank district; you will have three cotton members on that board; you will have not more than three wheat members, and each member of the board will look after his own commodity. It would be the most damnably sectional organization ever created by the American Congress. I am not willing to be a party to that kind of sectionalism in America.

SECRETARY MELLON'S VIEWS[3]

In accordance with your request made on the occasion of your recent visit to the Treasury, I am submitting my views on H. R. 7893, as amended and now pending in the Senate, providing for the establishment of a Federal Farm Board to control and dispose of the surplus of certain "basic agricultural commodities".

The purpose intended to be accomplished by the bill is to raise the prices of wheat, corn, cotton, and livestock above world prices. A board known as the Federal Farm Board, for which is appropriated $250,000,000, plus $300,000 for immediate expenses, is to arrange with cooperative associations and other dealers to purchase, store or export the surplus of these commodities beyond the demand for home consumption. The taking of this surplus off the home market is to raise the price in the home market. The surplus is to be sold abroad even if the foreign price is below cost. The loss on the storage, or on the sale of the surplus abroad, is to be paid in the first instance out of the fund appropriated from the Treasury. It is proposed to reimburse the fund by a fee ("equalization fee") or tax on all of these commodities sold by the farmer.

In other words, it is hoped to raise prices on part of the crop by taking a loss on a smaller part of it; and the method by which this is to be done is to divide the crop into two parts—the larger to be sold to American consumers at high prices and the smaller part to be sold abroad to foreign consumers at cheaper prices or even below the cost of production. The loss incurred in giving this advantage to foreign consumers is to be covered by money from the Treasury and from the higher prices paid by American consumers.

[3] A letter of Secretary of the Treasury Mellon to Congressmen Haugen, Dickinson and Anthony in response to their request for his views on one of the agricultural bills. June 14, 1926.

It is, of course, apparent at once that the effect of the bill will be to increase the cost of living to every consumer of the five basic agricultural commodities in this country. The "equalization fee", while it purports to be paid by the farmer, will be included in the increased price of the commodity and will, in the end, be borne not by the farmer but by the consumer. The net result will be the American consumer will pay the increased domestic price which of necessity must include the "equalization fee" or the loss incurred in selling the surplus abroad. We shall have the unusual spectacle of the American consuming public paying a bonus to the producers of five major agricultural commodities with a resulting decrease in the purchasing power of wages, and at the same time contributing a subsidy to the foreign consumers, who under the proposed plan will secure American commodities at prices below the American level. European labor could purchase American products at a lower price and could live more cheaply than American labor. Foreign industrial costs would be lowered and the foreign competitor assisted in underselling American products abroad and in our home market. I can see no permanent relief for American agriculture through subsidizing foreign competition; and that, in my opinion, is what the bill, if it becomes a law, will do.

The so-called "equalization fee" is in reality a tax on every bushel of wheat or corn or head of live stock or bale of cotton sold by the farmer in this country; and the amount of the tax is to be fixed, levied and collected by the proposed Farm Board. The constitutionality of such a tax, fixed not by the Congress but by a board, imposed in such a manner and for such a purpose, is at least extremely doubtful and might render ineffectual any legislation embracing such a feature. But in any event there would seem to be insuperable difficulties in collecting such a tax. The bill provides that the Board may require every person engaged in processing or in purchasing any

of the five basic commodities "to file returns under oath and to report, in respect of his processing or purchasing of such commodity, the amount of equalization fees payable thereon and such other facts as may be necessary for the payment or collection of the equalization fees; to collect the equalization fee from the producer and to account therefor; and to issue to the producer a serial receipt for the commodity". Every person who fails to account for such "equalization fee" shall be liable for such fee and to a penalty of one-half the amount of such fee.

It is necessary only to remember the multitude of transactions which take place each year in the sale of cotton, corn, wheat, cattle and swine, to realize how vast would be the machinery necessary for the auditing of such returns, the collection from the farmer of such a tax and for its transmission to the "equalization funds" in the hands of the Farm Board. The intricacies of the income tax and prohibition enforcement appear simple by comparison.

What would be the net result of all this effort? In the end, the farmer might receive, if the plan worked successfully, a small increase in the price of his commodities. But in order to accomplish this result, the bill sets up a cumbersome machinery, involving not only the fixing of prices by the Farm Board, but a control on their part over the agricultural industry and a power in levying taxes never before given to any board or agency of the Government in this country.

The bill imposes upon the Farm Board the responsibility for determining what is a "fair and reasonable price" for the five basic commodities and their food products. It is provided that, in contracting with cooperatives or corporations or other dealers in these commodities, no payment of losses shall be made by the Board unless the purchase is made at a price which, in the opinion of the Board, is not in excess of a fair and reasonable

price; and no sale shall be made in respect of which a loss would be sustained unless such sale is authorized by the Board. Furthermore, it is provided that advances by the Board shall be payable on demand whenever the Board finds "that the market price in the principal markets of the United States for the basic agricultural commodity, or its food products, in respect of which the advance is made, is in excess of a fair and reasonable price". Under these provisions it would be necessary for the Board to enter into or approve a vast number of contracts, necessitating the employment of an enormous bureaucratic staff of government lawyers, auditors and inspectors. From a practical standpoint, I am unable to see how any Board, no matter how efficient, could possibly arrive at a proper determination of a "fair and reasonable price" and the many other complex questions assigned to them. This is particularly true in view of the variety in quality and standards of products which must be dealt with under the terms of this bill.

The purchasers and processors of farm commodities are to be reimbursed for any "losses, costs and charges" sustained in removing the surplus from the market and maintaining in this country a price in excess of world markets. This is in effect a guarantee by the Federal government against loss from storage at home or sale abroad. As our past average exports alone of the five basic agricultural commodities has been about $1,500,000,000 per annum, it is possible to get some idea of the extent of financial liability which the Farm Board or the Government will incur under the guaranty provision of this bill.

In the end it seems to me that the bill will defeat the very purpose which it seeks to accomplish. The chief obstacle to farm prosperity is avowedly the disposal of the surplus. The payment of a subsidy of the levying of an "equalization fee" or the artificial increase in any other way of the price of farm commodities, will inevitably re-

sult both in stimulating further production on the part of the farmer and in decreasing consumption on the part of the buying public, thus bringing about a still greater surplus of products. Furthermore, if a subsidy of this kind is given to five agricultural commodities, the Government could not logically refuse to give the same treatment to the textile, boot and shoe, coal and other industries which are finding some difficulty in disposing of their surplus products.

In general a surplus is taken care of by a decrease in production or by an increase in consumption. The natural result of the proposed bill will be to increase production through higher prices for the particular commodities dealt with in the bill, and for the same reason to decrease demand. That is, the bill proposes to correct an economic condition by ignoring two of the most powerful economic laws, which in the long run must control. It seems to me that we can advance further in aid to the farmer if we try to work with and not against the teachings of experience.

A way out of the difficulties lies in the elimination of waste between the producer and the consumer, so that the farmer may receive a higher net price and yet the ultimate consumer may not have to pay more. This purpose can be approached through more orderly marketing and cooperation. The second way is to increase the demand for our surplus and thus raise the price, not to our consumers alone but to the world.

Farming differs from most industries in that the output largely fixes the price, whereas in manufacturing the price largely controls the output. For this reason, it would seem desirable to find some method not only of adjusting production, but of distributing and marketing products in the most efficient manner possible. Perhaps cooperative marketing to the extent that it can be developed, may help to solve the farmer's difficulties. There are, of course, many inherent weaknesses in cooperative

marketing, particularly when great and widely spread industries, such as cotton, wheat, corn and livestock, must be organized. But it is along this line, in working out the best methods of distributing and marketing, that the Government can be of most help to the farmer.

Some of the measures which have been introduced for this purpose and are now pending in Congress attempt to place upon the Government too much financial responsibility for organizing, capitalizing and assisting business operations of doubtful merit. If public funds are to be employed, the same care should be exercised as would be taken by the average business man in using his own capital. They should not be thrown away as a bonus or subsidy to promote enterprises which could never succeed on their economic merits.

I believe there is a large field for the improvement of our farm conditions in the improvement of world conditions. An increased demand abroad betters prices here without throwing the entire burden, as the bill proposes to do, on our own people and in favor of the foreigner. War increased production in America but the after effects have left many of the countries of Europe with currencies of rapidly diminishing external purchasing power. Europe is indeed our best customer. It is in the real interest of the American farmer that the American Debt Commission has negotiated settlements with the debtor nations clearly within their ability to pay. This is but one step in the restoration of monetary stability but it does represent a great constructive work and one which the Administration has now practically concluded.

America's further aid cannot be governmental but depends upon the intelligence and courage of our bankers and investors in giving assistance to those countries willing to help themselves with a sound program of stabilization. I feel confident that within another year many of the nations whose buying from us is now paralyzed by a demoralized currency will have recognized and adopted

plans for permanent restoration of stable money. With this reform the purchasing power of Europe should increase and with it the demand for, and the price of, our surplus.

In conclusion, I do not believe the principles contained in the bill now under consideration are sound or that the plan proposed would prove either workable or beneficial to agriculture. The unfortunate condition in which many American farmers find themselves today will be aggravated, not improved, by unsound legislation. We cannot successfully oppose fundamental economic laws.

THE MINORITY REPORT[4]

The report on behalf of the committee (Report No. 1003) in my judgment does not correctly present or emphasize so many salient features of the legislation that I have determined to file an analysis of the bill as it appears to me.

1. Necessity for Legislation

On this point there is little difference in the minds of the members of the Committee on Agriculture, and probably in the minds of Members of the House. American agriculture is not prosperous, and a continuance of its lack of prosperity will jeopardize the entire economic structure of American life, and possibly result in reducing the farmers to peasantry. It is, consequently, a national problem worthy of the serious consideration of Congress.

The trouble with the bill reported by the committee (H. R. 11603) is that it does violence to so many of the principles of our Government and institutions, is so clearly unconstitutional and so clearly violative of the principles of economics which must in the long run con-

[4] By Franklin W. Fort. *House Report no.* 1003, part 2. 69th Congress, 1st Session. April 30, 1926.

trol any industry, that the remedy proposed would be far worse in its effects upon agriculture even than present conditions.

It is because I am thoroughly sympathetic with the deplorable condition of American farmers that I object to this legislation, which I believe to be in the nature of a major surgical operation which can do nothing but increase the agony and facilitate the death of the patient.

2. The Declared Purposes of the Bill

The bill proposes to establish a farm advisory council, to be selected by farm organizations, and a Federal farm board, to be selected by the council, although nominally appointed by the President. Upon this board it confers powers broader than have ever been bestowed by Congress on any other governmental agency. These include the perfectly proper powers of ascertaining and disseminating information on all possible phases of agriculture, including a study of domestic and world prices and the chance of a surplus arising of any agricultural commodity. The bill defines cotton, wheat, corn, butter, cattle, and swine to be basic agricultural commodities. It directs the board to commence operations in the case of cotton if it finds that a surplus is likely to exist during the ensuing year above the requirements for orderly marketing; or, in the case of wheat, corn, butter, cattle, or swine, or any food product thereof, if it finds that there may be a surplus above the domestic requirements during the ensuing year, and that the price is materially lower than the fixed standard set up by the bill. Having begun such operations, the board is to assist in removing or witholding such surplus from the market and in maintaining domestic prices at the fixed standard.

For these purposes, the board is authorized to enter into "agreements with cooperative associations engaged in handling such basic agricultural commodity or its food

products, or with a corporation or association created by one or more of such cooperative associations, or with person engaged in processing such basic agricultural commodity or its food products." These agreements may provide for the payment by the board of all losses, costs and charges of the organization with which the agreement is made "arising out of the purchase, storage, sale, or other disposition of such basic agricultural commodity or its food products" and for the payment to the board by such organization "of profits (after deducting the costs and charges provided for in the agreement) * * * arising out of such purchase, storage, sale, or other disposition"; and may also provide for loans to such organization for financing its transactions.

If the board finds no cooperative association capable in its opinion of carrying out the agreement, the board may select other agencies, and all of its agreements must contain limitations on the payment of losses, if not incurred in a manner authorized by the board, and provide that loans may be called if prices are unduly advanced.

The bill then contemplates the eventual levy of an equalization fee or tax, after two years from the passage of the act, which tax is thereafter to pay the losses incurred under any contracts which the board may have made, but the bill specifically provides that no such fee shall be collected to repay the Treasury for any losses incurred prior thereto.

The equalization fee is to be of an amount fixed by the board from time to time; is to be levied upon such of the basic commodities as the board may determine, and is to be collected only on the processing or sale of the commodity. The bill specifically provides that the fee shall be collected "from the producer," who gets a receipt for its payment.

With $375,000,000 from the Treasury, which is divided: $100,000,000 for cotton, $250,000,000 for other

basic commodities, and $25,000,000 for nonbasic commodities, and, after two years, with the equalization fees collected, the board is to establish equalization funds for each commodity separately, and profits of which are to be returned to the producers, and out of which any losses occuring on the board's operations in the commodity are to be paid.

Out of the $25,000,000 item, above referred to, the board may make loans to cooperative associations, in other than the basic commodities. It may not make loans to any cooperatives handling the basic commodities except and unless one is chosen as the contract agent of the board.

The bill then contains the usual administrative provisions, with some distinctly original definitions designed to make the words "processing" and "sale" have different meanings as to different commodities. There is also a special definition of the words "cooperative association" as used in the act, which specifically includes organizations unable to qualify under the Capper-Volstead Act.

It then appropriates $375,000,000 as the so-called revolving fund and permits the President to declare an embargo on any basic agricultural commodity "or any derivative thereof or competitive substitute therefor" under certain conditions.

3. Discussion of the Bill

With this picture of the bill in mind, I would respectfully suggest the following objections to its provisions:

(a) *Advisory council provision.*—So far as I have been able to find, the provisions of this bill for the election of members of the farm advisory council, who are to be compensated out of the Treasury by per diem fees, is the first case in American legislation where attempt has been made to restrict the right of suffrage. The council, chosen by a restricted suffrage, is to nominate to the

President 36 individuals—three from each Federal land bank district—from whom he must appoint, by and with the advice and consent of the Senate, 12 members of the Federal farm board—one from each Federal land bank district. This provision for the appointment of the board is the first in history where any special group has been given power to name to the President the persons from whom he must select an entire board of Federal officials.

In my judgment, both of these provisions are not only unconstitutional beyond all questions under clause 2 of section 2 of Article II, providing for the method of nominating and appointing public officers, but, beyond and above that, violative of all the principles upon which our Government is founded. I have no desire to be sensational in characterizing this legislation, but I can not but feel that its adoption would constitute the beginning of the sovietization of the United States. Whether it be capital or labor, farmer or railroad corporation, permission to any group of American citizens, or any American industry, to name its representatives in an important branch of the Federal Government is contrary to every conception heretofore held as to the nature of our Government and its institutions. My belief is that this has not been thought through by its proponents, and I am confirmed in this belief by the fact that I have personally introduced a bill dealing with this same subject which is, in part, subject to the same attack. My own unthinking adoption of such methods leads me to feel that others may have likewise unthinkingly fallen into error.

On the practical side of the same question it seems to me utterly improper that a board having control of the prices of the necessities of life should be made up entirely of representatives of the sellers. Nor will such a board function as well for the farmers themselves in the long run as would one which contained representatives of all groups of our people.

(*b*) *Price-fixing basis.*—The bill sets up, in section 8, a basis for the fixation of minimum prices for wheat, corn, butter, cattle, and swine and/or any food product thereof. This basis is compounded of three elements:

First. The price of the commodity in the principal foreign competing market.

Second. Transportation costs from such market to the United States.

Third. Tariff duty.

In the case of cotton no price fixing is attempted, but the handling of the surplus, if one exists or may exist, is directed.

It is, of course, a fact that normally the fixation of a minimum price operates to fix a maximum price also. In order to render this more certain, however, the board is required, by subdivision 3 of paragraph (f) of section 8 to call in loans which it has made if the price of any basic commodity, or its food products, exceeds a fair and reasonable price. Of course, the price in the absence of a world shortage could not exceed the foreign price plus tariff and transportation, because if it did commodities would come in from the competing country. And even in the event of a world shortage it would probably be held to be the duty of the board to interpret the words "fair and reasonable price" as synonymous with the price-fixing basis used in subdivision (c) of section 8—that is, the competing world price plus the tariff and transportation.

That the proponents of the bill regard it as automatically fixing prices at the world price, plus the tariff and transportation, is proven in the hearings, where (at p. 1278) Mr. Murphy, as chairman of the legislative committee supporting this legislation, testified: "The purpose of the legislation that we are insisting upon is to make the tariff effective." He further stated (at p. 1279) that the price of wheat would reach the world price, plus the tariff, within two days after the board was created. It

is, therefore, admittedly a price fixing bill, although not a price stabilizing bill.

To make this latter distinction clear, I want to point out that all of the price fixing depends upon the price of the same commodity in an independent competing market. We all know that the price of wheat, for example, not infrequently fluctuates as widely as 5 cents a bushel in a day on the Liverpool or Winnipeg market, and has fluctuated more than a dollar a bushel in less than 60 days.

The bill necessarily contemplates an American price which will fluctuate with the world price. It may happen, and, indeed, must happen, that the Kansas or Texas farmer who sells wheat in June or July will get a different price from that of the North Dakota or Minnesota farmer who sells wheat in August or September. Each, however, under the equalization fee proposals of the bill, will pay the identical tax for the maintenance of the market price in this country.

To make the example yet more extreme, the farmer who sells at 10 o'clock in the morning should get a different price from the farmer who sells at 10:15. Of course, such rapid shifts are unworkable, but unless changes almost as rapid are made by the agency created by the board in the price it will pay, commodities will come in over the tariff wall. For example, if the board has assumed a price of $1.30 at Winnipeg for wheat it has, therefore, established the American market at, let us say, $1.77 (including 42 cents tariff and 5 cents freight), and the Winnipeg market suddenly breaks 3 cents a bushel, to $1.27, any importer or any Canadian dealer would undoubtedly sell wheat in the American market at the $1.77 price, covering himself by purchases in Winnipeg at $1.30 Unless, therefore, the board's price is going to change constantly with the course of prices in foreign markets the agency is going to have to buy foreign wheat any time any foreign market declines enough to make the arbitrage transaction profitable.

4. Method of Handling Price Control

It is my firm belief that the proponents of this bill do not themselves fully realize how the bill would operate. If they do understand, they are attempting to deceive Congress and the farmers.

In the first place, the bill proposes that the transactions of the board in commodities shall be carried on not by itself, but by agencies with which it enters into contracts. These agencies, it is true, may be "cooperative associations," but do not have to be cooperative associations. Indeed, Mr. Hirth, chairman of the Corn Belt committee, and other witnesses, stated frankly to the committee that it would be impossible to handle livestock and swine without a contract with the packers.

Mr. Murphy tells us (at p. 1270) that it is desired to mill as much wheat as possible in this country, in order to get the mill feeds, and export as much flour and as little wheat as possible. It is conceded that certain parts of livestock and swine are not salable in this country, but must be exported. It is conceded that these operations can be carried on only under contract with millers and packers.

Now, then, what is the form that these contracts shall take? On page 11, beginning on line 14, the provisions are set out. They are that the board may contract for the payment out of the equalization fund of "the amount of losses, costs, and charges of any such association, corporation, or person arising out of the purchase, storage, sale, or other disposition of such basic agricultural commodity, or its food products" and for the payment into the equalization fund "of profits (after deducting the costs and charges provided for in the agreement) of any such association," etc.; and for the making of loans to any such person or corporation.

Under this language it is clear that no miller and no packer would enter into any such contract unless the word

"charges" contemplated a charge for services that would show a profit. Consequently, the legislation directly contemplates the guaranteeing of profits by the Government to the packers and millers, which guaranty in its first two years is to be made good out of the Treasury of the United States and thereafter out of the taxes collected from the American farmers.

This aspect of the matter was not fully appreciated by any of the members of the committee during the hearings, nor was it stressed by any witness. It is a very significant fact, in this connection, that neither the packers nor the millers of the United States have at any time during the sessions of the committee either sought a hearing or offered any objection whatever to this legislation. The only lobby which has been here at all has represented the farm organizations. I have been surprised at the absence of any word, of any sort or description, indicating any interest in the legislation from either of the groups until the night before the hearings ended, when a representative of the millers made a mild criticism of some features of the bill, the most important of which has been taken out since his objection. Apparently both the millers and the packers of the United States are entirely willing that this legislation pass unamended, and that their business be given the guaranty of permanently assured profits which it contemplates—out of the pockets, first, of the taxpayers, and then of the farmers of the United States.

5. Cooperative Marketing Under the Bill

Earlier in this statement, attention has been called to the definition of "cooperative associations" found in the proposed legislation. The Capper-Volstead Act uses the language "cooperative marketing association." The word "marketing" nowhere appears in connection with the words "cooperative association" in H. R. 11603. The definition specifically permits contracts with and loans to cooperative associations, without limitation to those of the

Capper-Volstead type, where the return on membership capital may not exceed 8 per cent and where the association is denied the privilege of dealing in more than 50 per cent of nonmembers' commodities. This has been designedly done to enable the board to select, if it so choose, a single cooperative association as its sole handling agency in marketing any commodity. The arbitrary power to select any sole agent for so tremendous a duty is too great to be conferred up any board appointed in the manner this board is to be chosen.

Whether intended or not, the fact is that the gentlemen most earnest in advocating this legislation are the officials of the various farm organizations. They will naturally dominate the selection of members of the advisory council to be named by those farm organizations, and, therefore, they will naturally control the names of those to be nominated for appointment to the board. Many of these gentlemen are directly interested in cooperative associations not of the Capper-Volstead type. Some of them are interested in fairly substantial associations.

The insistance throughout has been on a "farmer-minded" board, as an excuse for the method of selection named in the act. As I see the present status, the farmer-minded board will be selected by gentlemen who have fought intently and intensely for this legislation and who, if it passes, will dominate both the board and its selection of agencies through which to operate.

This becomes of great consequence in view of the very mild support accorded this type of legislation by the cooperative marketing associations of the country. The selection in the legislation of language which excludes the word "marketing" in describing such associations; the fact that no one of the active proponents is particularly active in cooperative marketing; the very structure of the organization which must follow the passage of the legislation, all strengthen the conclusion that the bill is intended

to create a substitute for cooperative marketing associations in the United States.

This statement is further justified by an analysis of the bill. The powers of the board in the making of contracts have been mentioned. It needs no demonstration to see that the handling of great crops at fixed prices is a matter for few, if not sole, agencies. The administrative difficulties of handling them through many agencies would render a breakdown inevitable.

Consequently—and the bill obviously so intends—the board will not contract generally throughout the country with cooperative marketing associations. If it does not so contract, what advantage can any member of a cooperative association gain through being a member? The price of his commodity is determined by the board, and joint handling with his neighbors will produce on possible benefit in price. The mere maintenances, however, of a cooperative marketing association involves some expense, which he will have to pay in addition to the equalization fee levied by the board. It does not seem possible that cooperatives can long exist under such a marketing program, where they must collect charges for services of little or no value. I am firmly convinced that the enactment of this bill will sound the death knell of cooperative marketing in the United States.

6. Equalization Fee

The amount of equalization fee to be levied will be determined by the board from time to time, on its estimate of its needs for the ensuing year, and will be assessed against the commodity to be handled. In the case of cotton, through collection at the gin—the word "processing" being defined as "ginning" and the word "sale" being defined as "processing"—the fee is collected upon the entire production of the commodity. In the case of wheat and corn, the fee is collected only on that part of the crop which is milled or marketed. In the case of

cattle or swine, the fee is collected only on slaughter or sale for slaughter.

Let us take the operations on wheat as a sample of the working of the entire proposal. We have already seen that it is proposed to fix the price of wheat at Duluth at something in the neighborhood of 47 cents above Winnipeg. Of course the Winnipeg market, being a free market, will reflect world prices. The normal annual production of wheat in the United States is approximately 850,000,000 bushels, of which the normal average export is approximately 200,000,000 bushels. The surplus or export wheat purchased by the board's agency, under the contract with the board, to maintain prices must be sold somewhere, and the only place to sell it is in the world market, which, as we have seen, after due allowances for freight, etc., will be approximately 47 cents below the price at which the board's agency will have purchased the wheat in the United States. This, on 200,000,000 bushels of wheat, is $94,000,000. To this must be added the costs and charges incurred by the board or its agency in carrying on operations in wheat, which will include the profits guaranteed the millers, as previously shown.

I think it a reasonable assumption that the millers would not consent to operate for less than $6,000,000 a year profit. We thus have at least $100,000,000 a year to be made up somehow from the equalization fee on the 650,000,000 bushels of wheat left in the United States. Of this 650,000,000 bushels approximately 120,000,000 bushels will not be reached by the equalization fee, since it will be wheat used for seed, totaling around 85,000,000 bushels, and wheat used for poultry and other feed purposes. This leaves 530,000,000 bushels of wheat out of which to collect not less than $100,000,000 equalization fee, or a charge of almost if not quite 20 cents a bushel. Incidentally, during the two years that the revolving fund

provision is in operation, we would face a definite loss of at least $200,000,000 out of the Treasury.

These losses are more likely to be exceeded than reduced in actual operation. In the two-year period the guaranty of a better price than has heretofore prevailed would admittedly stimulate production, and, by the measure of that increase in production over domestic consumption, the Government loss would increase. After the two years, until such time as the equalization fee completely absorbed the entire enhancement of price which it produced, there would also be a stimulation to increased production, until finally production would probably reach a point where the increase in the equalization fee for the absorption of increased losses would exhaust the entire increase in price. Coupled with this, increased prices will certainly produce decreased consumption at home. The proposal in the case of wheat promises, in my judgment, to produce just such a swelling of acreage and production—perhaps not so great, but after the same order—as occurred during the war period, and, therefore, the same ultimate dislocation of agriculture when the futility of the whole plan is finally conceded and the entire structure breaks down.

Further, in this connection, it is shown above that the proposal guarantees a profit to the miller and packer, but it nowhere guarantees a profit to the farmer. In his case, it seeks to give the benefit of the tariff above the world level, but if the world level plus the tariff is less than his cost of production he will still operate at a loss. To this loss will be added the equalization fee. In this event, he will occupy the pleasant position of paying a tax to insure a profit to the miller and packer, and of adding the tax so paid to the loss he has incurred on his production.

On the constitutionality of the equalization fee, I have hastily prepared a memorandum which follows as Appen-

dix A hereto. In doing this, I am moved by two considerations: First, that, of course, the Congress should not put upon the Supreme Court the sole burden of looking at the constitutionality of legislation. Second, I believe the mere threat of attack will prove sufficient to destroy the entire plan.

If, as I believe, the attached memorandum shows the bill is, at best, of doubtful constitutionality, we all know that it will be instantly attacked upon becoming operative. We all know that such attacks will be made in more than one district court of the United States, and we all know that there are likely to be differences of opinion among such district courts, and that the ultimate decision by the Supreme Court can not come in less, probably, than two years. In the meantime, with the constitutionality in the balance, buyers, domestic and foreign, will undoubtedly adopt a hand-to-mouth buying policy, leaving to the board the carrying of the entire burden, in the hope that the act will be declared unconstitutional, and that the vast accumulated stores of commodities must then come on the market at bargain prices. Such a condition for two years, even though the act be finally sustained, would completely dislocate all branches of agriculture; and, if the act should be declared unconstitutional, would create a chaos far worse than was brought to the cotton, livestock, corn, and wheat farmers in the postwar deflation of 1920 and 1921.

The legislation has been urged before our committee by capable men, many of whom were obviously sincere in their belief that H. R. 11603 would prove a cure-all. They and the majority of the committee alike, in their sumpathy with the farmer, have been carried away from the sound reasoning that any great economic problem demands.

We are not yet ready to place the American farmer, in the conduct of his entire life and business, in the hands of a Federal board. We are not yet ready to select public

officers by soviet methods. We are not yet ready to recognize class and group and sectional distinctions in legislation. This Congress should never subject the American farmer, now almost in despair, to a plan of alleged relief which taxes him for the benefit of others, and which ultimately can do him naught but harm. He has not asked of us a subsidy. He does not want a subsidy, though his legislative spokesmen have now asked one for him. Let us get away from the unsound theory of the equalization fee—the method which seeks to raise him by his own boot straps—and concentrate our thought and attention, devoid of politics and of sectional feeling or viewpoint, on plans which may have less of glittering promise, but will at least avoid disaster in performance.

AN UNWORKABLE PLAN[5]

As it seems to me, we are concerned in this legislation and in this problem with what is purely a marketing problem. The difficulties of the American farmer, which I still believe to be existent difficulties, despite the apparent contradiction in the Labor Department statistics, are difficulties that have come from one of two marketing troubles. One of those troubles is the disposition of what might be called seasonal or sectional surpluses of perishable commodities, and the other is the disposition of export surpluses or surpluses beyond the possibility of domestic consumption. The disposition of products is a marketing problem. In order to have a market you must have three factors. You must have something to sell and you must have somebody who will buy. Those buyers are of two classes—the necessitous buyer, who has got to have what you want to sell, and the buyer who is interested only at a price. And in the third place, you have got to have some kind of an organization through which to market.

[5] By Franklin W. Fort. *Congressional Record.* 67: 8708-17. May 4, 1926.

In order to clear this discussion from the propaganda of the hearings for the benefit of the House, I am going to take up in detail the position of the six products or commodities which the Haugen bill calls basic agricultural commodities.

The first of those is cotton. Now, what is the problem we have got to solve in cotton? In the first place, we always raise more cotton than we can use in this country. At the low point of our production we use—that is, when we produce only 8,000,000 bales—about 75 per cent in this country. At the high point of our production, 16,000,000 bales, such as we had last year, we use probably 65 per cent for export and 35 per cent in this country. It therefore is a product which can not be controlled in any way whatever through the handling of the domestic price. In the second place, cotton is not merely an article of clothing. It is a food article. This bill completely overlooks and neglects to touch upon the fact that cottonseed is a substitute for lard; a substitute for butter; a substitute for vegetable oils of other types; a fertilizer; a cattle feed; in which it is a substitute for corn and is, of course, a seed for a new crop. Therefore, no consideration of cotton that omits cottonseed can possibly reach the cotton problem.

Cotton is, of course, preservable. Over a five-year period we universally raise eleven and a half million bales of cotton on practically the same acreage, but during that five-year period we will have some years of 8,000,000 bales and some years of 16,000,000 bales. But averaging over a period of years it comes out just about to what the world wants or eleven and a half million bales.

There is one other factor in cotton, and that is that recently there has been discovered and developed the fact that considerable marginal lands are in existence which can easily be brought into profitable production of cotton that are not now so used. Therefore, any stimulation of the price of cotton may mean the stimulation of cotton

production. If the world will only take eleven and a half million bales a year on a five-year average, we can not have a further stimulation of cotton production—certainly not without a resulting decline in price.

Now, then, we have wheat. Wheat is also a crop of which we always produce some surplus. Some years the surplus is as low as 40,000,000 or 50,000,000 bushels, and some years it is as high as 400,000,000 bushels. Our acreage in wheat has gone in the last 10 years from 47,000,000 acres up to 75,000,000 acres and back to 52,000,000 acres. In other words, we have demonstrated in the last 10 years that we have 23,000,000 acres more land in the United States available for the growing of wheat than we are now using.

Wheat is a world crop. Its price is determined by world market conditions; it is not determined exclusively by domestic market conditions. And, strangely enough, the entire surplus of wheat in all producing nations, despite great local fluctuations, comes out with remarkable uniformity at about 700,000,000 bushels a year.

Before the Great War Russia and Rumania supplied from 200,000,000 to 230,000,000 bushels, while last year they supplied 21,000,000 bushels. Any program for the handling of wheat must face the possibility of the return of Russia and Rumania to the exporting wheat nations of the world. The fact that before the war we had a world export and import trade in wheat of about 700,000,000 bushels and that that entire export trade, despite the loss of Russian and Rumanian wheat, has been made up in the last 10 years from other exporting countries is significant of what can happen to wheat if it is not handled intelligently.

We exported before the war from this country only about 110,000,000 bushels of wheat a year. We have exported since the war in the neighborhood of 230,000,000 to 250,000,000 bushels of wheat, and in that same period Canada has increased its export from 95,000,000 bushels

to in the neighborhood of 191,000,000 bushels. In other words, the world has made up for the loss of the Russian and Rumanian wheat chiefly by increased production in the United States and Canada. But do not let us forget, in any solution we contemplate, that neither Russia nor Rumania is permanently out of the world market; and do not let us forget that these figures indicate that year by year the world takes 700,000,000 bushels from somebody, and it will not take any more. That is the total demand and somehow the world supplies it.

There are other factors in the wheat situation that have to be considered, grades and things of that sort, which I am not going to trouble the House with at this time.

The next basic commodity is corn, and that is quite different.

On corn we have an entirely different status. Corn is a crop that has varied from 2,400,000,000 bushels up to 3,200,000,000 bushels on relatively the same acreage, but it is a crop as to which no real export surplus does or ever can exist, because there is no export market for American corn.

Our normal export of corn, even on a 3,000,000,000-bushel crop, will not run over 30,000,000 bushels, or 1 per cent of the crop.

There is a second distinction in corn, and that is, it is not a food but is a feed crop. Only about 6 per cent of our corn is manufactured for human consumption or otherwise directly goes to the human body. The balance is fed to cattle and hogs, and the market price of the commodity is dependent upon the population of cattle and hogs. Without a sufficient population of animals, corn prices can not be maintained. With too great a production of corn, even with a normal cattle population, corn prices can not be maintained, and the excess corn above the amount of the cattle requirements is bound to become an economically useless product unless we can

find what we do not now have—a foreign market for that corn.

The next thing we have in this bill is swine. Now, there is another funny situation. Our swine are only partially exported. In 1923 our packers turned out something over 10,200,000,000 pounds of pork and pork products. Of that, about 3,500,000,000 was in fresh pork and we exported the whole of 12,000,000 out of that. On the other hand, 2,000,000,000 was in lard and we exported over 1,000,000,000. Our total export was less than 2,000,000,000 pounds out of over 10,000,000,000.

There is another interesting thing in the pork situation, and that is that the per capita consumption of pork had been going ahead year by year for the last 10 or 12 years until last year. In 1917 we only used 55 pounds of pork per capita, and we worked up to 86.3 pounds in 1924. Last year we went down to 77 pounds or a loss of 9 pounds in one year. Why? Because the price of pork went up $3.60 a hundred on the average and the price of beef the same year only went up 40 cents a hundred, and these statistics, which I do not want to cumber the RECORD with, and which go back to 1907, indicate this as the regular procedure. In other words, the domestic consumption of pork and beef shifts from year to year, from one commodity to the other as the price shifts.

They are practically interchangeable products in our people's diet.

The next commodity we have is beef. Now, beef is non-exportable almost absolutely. In 1923 we produced 4,800,000,000 pounds and only exported about 30,000,000 pounds out of the whole lot. All the rest was consumed here. There is another thing that bothers the solution of the cattle problem that we are confronted with, and that is the hide factor. If we are only going to handle, as the legislation contemplates, the food products of cattle, we have nearly 600,000,000 pounds of hides from beef cattle. We only export about 25,000,000 pounds of

hides. Their value is somewhere between 8 and 17 per cent of the entire value of the meat in the animal, varying each year according to beef and hide prices.

Now, the other basic commodity is butter. We did not have a word about butter in any of these headings. I never heard a word about butter. Butter suddenly appeared in the bill three days before it was reported from the committee. I have had to do a lot of digging on my own hook for most of the statistics. I mention this to show you how much more concerned we have been as to who would vote for or against it than we have been of the economic side.

We had a butter production in 1923 of 1,300,000,000 pounds, out of which we exported 5,800,000 pounds, and the rest was consumed here.

There is another thing about butter, and that is not in the hearings, either. You know if you raise the price of butter, fluid milk is going into butter. Fluid milk is going into butter unless you raise the price of milk. The legislation does not talk about milk; it does not go into that. The minute you raise the price of butter, everybody that has a cow is going to make butter.

Now, this legislation has nothing about rye or cotton seed. We are not going to do anything with potatoes; we are not going to regulate anything about fruits and vegetables.

Let me tell you something about fruits and vegetables, rye and potatoes. The American people to-day are consuming their greatest volume of food—greater than 25 years ago. Yet, in 1907 we consumed 179 pounds of meat and lard, and in 1925 we consumed only 165 pounds of meat and lard, or a decrease of 14 pounds per capita of meat products. In 1904 we consumed 5.4 bushels of wheat per capita and in 1925 we consumed 4.3 bushels of wheat per capita. What has happened? The food habits of the American people are changing. They are changing and will continue to change, as the pork and beef

products figures show, whenever price differentials make substitutions advantageous.

Now, then, with all of these conditions confronting the committee for the preparation of legislation, we have laid on the altar of the House three bills. We have done that because, frankly, I do not believe the majority of the committee favored any one of the bills. But, as I said earlier, this Congress owes a duty to the country to give the country some farm legislation. If we, as servants of the House, can not do the job, we will have to turn it back to the boss.

Now, what are these three bills? There is first the bill introduced by the gentleman from Louisiana [Mr. ASWELL] which I think he will concede is in no sense a relief measure for the present existing bad conditions. It is a bill that looks toward the creation, through a well-worked-out plan, of a complete organization of the farmers, working from the top down through, setting up a Government corporation which is to organize and with the aid of Government funds set up an interstate and then a State and then a local cooperative organization for the marketing of products.

Then we have the bill introduced by the gentleman from Kansas [Mr. TINCHER], which attempts without change in the existing structure, except in minor details, of the marketing processes of America, to smooth out the kinks in that marketing and to adequately finance the farm-owned and farm-controlled cooperative marketing associations which in many instances have been highly successful and in others have not been—largely, perhaps, through want of capital—which leaves the conduct of the business of farming entirely in the hands of the farmer as it is to-day, and which is intended to offer to the cooperative marketing associations the financial strength which those who know and believe in those organizations think and feel is their chief need.

Then we have the other measure, concerning which

you have already been addressed, which was introduced by the gentleman from Iowa [Mr. HAUGEN]. That proposes a completely new organization of the industry of agriculture. It proposes that that organization shall be instituted, operated, managed, controlled, and financed by the Government of the United States. It proposes in lieu of the suggestion of the bills of the gentleman from Louisiana, and the gentleman from Kansas, practically to force every American farmer to become a cooperator, whether he wants to or not, in the maintenance of the carrying of his crops. It proposes a definite price-fixing structure. It proposes a continuing Government operation. It proposes a subsidy for the first two years and a tax thereafter upon the farmer. I want to say right here that it is very timely, it seems to me, that this House should be discussing a subsidy bill this week with the example of Great Britain and the effect of her subsidy program in our eyes. It proposes a complete domination of the agricultural industry of America, and by that I mean not alone the farming of America, but every food trade, manufacturing or otherwise.

To me all three of these bills have one vice in common, and that I want to speak on before going into a detailed consideration. I made the same mistake myself in a bill which I introduced in this House, and the only excuse I have is that I took it from some other proposed legislation, and that I did not think it through. All of these bills in one form or another—probably least in the case of the bill of the gentleman from Louisiana [Mr. ASWELL]—call for the election or selection of Government or quasi-Government officials by farm organizations.

I say to you, gentleman, as I understand the scheme of the present Government of Russia, it is in part that that Government concedes to the representatives of particular crafts or groups in the population the right to dominate branches of the Government. I know of no legislation upon the books of this country to-day that

confers upon farmers or labor or capital the right to pick the men who shall control the Government's relation to any industry, and I hope and pray that there never will be any. Our institutions were not founded for that purpose. If we reached a point where the American people as a whole have become so moved by sectional considerations and selfish prejudice that we can not trust the whole people to do justice, to any group, then our institutions have failed. If we have reached the point where we can not trust the President of the United States to appoint boards able and adequate to handle the problems with which they are vested, then we need a new form of constitutional government. Whichever of these measures meets the approval of the House, I hope it will be so amended before it is passed as to reindicate to the people of America and the world that our faith in our institutions, that our faith in our people themselves, is not destroyed.

I want to say, if the House will permit, there are two main reasons I rely upon on this point. The first is the language of the Constitution of the United States. In section 2, clause 2, of Article II, there is conferred upon the President of the United States in the following language the appointive power:

> And he shall nominate, and, by and with the advice and consent of the Senate, shall appoint ambassadors, other public ministers and consuls, judges of the Supreme Court, and all other officers of the United States, whose appointments are not herein otherwise provided for, and which shall be established by law; but the Congress may by law vest the appointment of such inferior officers, as they think proper, in the President alone, in the courts of law, or in the heads of departments.

Now, what is the proposal of this legislation to which I am referring? To vest in the members of certain farm organizations the power to elect an advisory council, to vest in that advisory council when elected the power to hand to the President of the United States three names from which he must appoint one as a member of the Fed-

eral Farm Board from each Federal land bank district under one bill and, under the other, 18 names from which he must choose 6 commodity experts. I say to this House I believe that provision in both bills to be unconstitutional, and, if it be not unconstitutional, so contrary to the fundamental conceptions of our Nation and our institutions as to be unworthy of being now for the first time put into law. And in the second place, from the standpoint of the farmer himself and of all other interests in the Nation, I do not believe that the farmer will be as well served by a body entirely of his own selection as he will by a body that has some touch with the consuming end of the Nation, some touch with the financial and industrial ends which are essential in their interrelationship with the problem.

Now, gentlemen, there are two bills presented that are relief measures. I do not so class the bill of the gentleman from Louisiana. As a matter of fact, I do not regard the bill of the gentleman from Louisiana as necessarily exclusive of the bill of the gentleman from Kansas.

It will not aid the cooperatives of the southern part of the country, whose attitude has changed lately with their need of funds. Now, those two bills are the bill introduced by the chairman of the committee and the bill introduced by the gentleman from Kansas. I want to take up the bill introduced by the chairman of the committee first. In the first place, gentlemen, as I read the bill, as I have already said, it completely revolutionizes the business of agriculture in all its branches, down to the reaching of the ultimate consumer. It does not attempt merely to deal with food in its raw shape or with cotton in its raw shape, but it contemplates, permits, and necessarily must be operated by contract with the processors of commodities. We are therefore, in the guise of agricultural-relief legislation, being asked by this bill, practically speaking, to confer upon a Federal board

power to mix into every manufacturing industry in the United States which in any remote degree touches the products of agriculture.

Let us take wheat. The bill specifically provides that the board shall or may—it said "shall," and I can fairly say that in the committee I suggested the amendment of "shall" to "may," because I did not want to see it too bad. It says:

> The board may enter into agreement with cooperative associations engaged in handling such basic agricultural commodity or its food products, or with a corporation or association created by one or more of such cooperative associations, or with persons engaged in processing such basic agricultural commodity or its food products.

Now, remember the picture I gave you of wheat. The witnesses before the committee told us that they did not want to export any more wheat than they have to, but to export flour and keep the mill feeds at home. I think probably that is a fairly sound policy if it can be done at all. They say that the way they are going to do that is by making contracts with the millers.

Well, the first draft of this bill had in it that they would make those contracts, and that the contract would contain a provision that the losses and expenses would be paid for out of the equalization fund, and that the profits would have to be turned over to the corporation. It was suggested to the witnesses by some members of the committee and finally by a witness—and the only witness, by the way, who appeared on behalf of the millers—that that was really asking the millers to operate pro bono publico. And then the proponents of this bill said, "We do not expect them to do that, of course; they have to have a profit." So this last version of the bill provides that the equalization fund shall be used to pay losses, costs and charges, and for the payment—if they make any money—the payment into the fund of profits after deducting the costs and charges. So it clearly contemplates that this board that they are going to set up is going to take over

the milling of wheat in America and pay a profit to the millers.

Now, they can not take over only the export wheat. That is impossible, particularly if they are going to keep the mill feed here, because it is going to be rather difficult to do any accounting that will differentiate the general milling operations, the general advertising expenses, the general overhead of the miller, from the amount that is properly applicable to the 7,262,401 barrels, or whatever it may be, that may happen to go into export. It can not be worked. It has either got to be done by giving a contract for a fixed profit for every barrel of flour that the miller turns out—

Which he hopes he will not use. But that is the wheat situation. Gentlemen, you can all see it. They can not just make a contract for the export wheat. It is too much intermingled with all the operations of the mill. Many of these millers have spent millions of dollars to advertise their products abroad. It is a perfectly proper item of overhead, for which they should have recognition in any such arrangement.

What do we get when we get to cattle? Well, I told you that in beef we exported only less than 30,000,000 pounds out of 4,800,000,000. Then we have 579,000,000 pounds of hides to do something with, and this bill talks only about food products. Are they going to ask the American packer to buy beef cattle under contract with them at a price that they fix later on in the bill at the world price plus the tariff and transportation, whatever that may be, in which he has got to figure the value of the hide? Are they going to ask him to take the gamble on a part of it unless they give him a pretty good profit on the rest? Will he do it? Would you? Would I? We would not. And then out of the 10,000,000,000 pounds of pork that he handles, he is going to export 2,000,000,000 pounds according to present export figures. Of that a whole billion is lard, and he is going to export only

12,000,000 pounds of fresh pork. How are you going to work out an equation of price between the whole animal and the export item under those conditions?

I have tried, and I am perfectly willing to hear a suggestion from any Member of this House as to how it can be done. Nobody suggested any way to the committee. I do not hear anybody suggesting any way to the House. There is only one way, and that is to take over the business of the pork and beef packers and give them a profit to operate, and you can not do it under the power of eminent domain, either.

Now, we next come to butter. Butter is a nonexportable commodity, practically speaking. This bill is going to require the board to bid up the price of butter or make some contract with somebody to hold up the price of butter to the world price, plus the tariff and plus the freight cost needed to get the other butter in. At the same time we have Australia giving a bounty to get butter out of the country, so they can sell it pretty cheaply elsewhere, including here. The consequence is we must have an agency that will dominate the butter market. They can not have 5,000 or 10,000 or more people making and selling butter. They have got to have all that butter in one hand if we are to have a maintained price on butter. I do not see how else it can be handled, although, as I say, the record has no information on the subject to guide us.

What else does this bill do? Well, it wrecks every cooperating marketing association in America. The cooperatives of America have been built up by long toil and hard work and much trouble.

Now, gentlemen, I want to emphasize once more the point I made as to the inevitable decease of cooperative marketing in the United States if this bill passes.

There are those who think cooperative marketing has failed. There are those who think that the failure can be cured either through the method suggested by the gentleman from Louisiana or the method suggested by the

gentleman from Kansas. There are others who feel they will cure themselves, but no Member of this House should deceive himself that if he votes for a bill along the general lines of the bill introduced by the gentleman from Iowa, that he is doing anything for cooperative marketing in the United States.

The phrase "cooperative-marketing association" has a legal definition, and that definition is contained in the so-called Capper-Volstead Act, and it defines a cooperative-marketing organization as an organization dealing in not more than 50 per cent of commodities for the account of non-members, and with its return on membership capital limited to 8 per cent. This bill from start to finish refers to cooperative associations, and in the definition clause of the bill, on page 22, says specifically that the term "cooperative association" means so-and-so and so-and-so, "whether or not such association is qualified under" the Capper-Volstead Act.

This Congress has declared a definite policy in aid of cooperative-marketing associations. It has endeavored to formulate those organizations, to assist them, and has shown it believes in them. This bill—well, gentlemen, if you could trade at liberty to make more than 8 per cent profit or you would have to go into an organization that limited you to 8 per cent profit, which would you go in? What farmer is going to pay any fees or charges to a cooperative-marketing association to handle his product, to market it, when already through the operations of a Government board he is assured of a fixed price?

There is another thing I want to talk of because I think it is highly important. The bill which we are discussing changes the whole price structure of the agricultural industry. It sets up an arbitrary scale, and what is that arbitrary scale? What is the price? I want to read that language because it is quite interesting. It opens itself, I will admit, to more than one interpretation—

In the case of wheat, corn, butter, cattle, or swine, and/or any food products of wheat, corn, cattle, or swine, there is or may be during the ensuing year a surplus above domestic requirements, and that the price of any such commodity or food product in any principal market of the United States is materially lower than the price thereof in the principal export market of the principal competing foreign country (as determined by the board) plus the amount of tariff duty thereon and plus the charges normally incurred in transportation from such market to the principal port of entry therefor in the United States, and that the existence of such surplus renders or will render inoperative in whole or in part the tariff upon such commodity or food product—then the board shall declare its findings and commence operations in respect thereof.

Now, that is the price basis. If the price in any market in the United States is less than the price in the principal competing export market plus the amount of the tariff duty thereon and plus the charges for transportation from such market to the principal port of entry, and so forth.

Take wheat. We have a market for wheat in Kansas City. We have to find the principal export market, and the board would probably find that the competing market is Winnipeg. Now we are going to take the Winnipeg price and add the tariff of 42 cents and add to that the freight from Winnipeg to Duluth, the principal port of entry from Winnipeg. Then if the Kansas City price is below that, we put up the Kansas City price.

I want to say that I made a mistake which I want to correct in the minority report on this bill. I find that the freight rate is 13 cents a bushels instead of 5, as stated in the minority report. But take the figures on the minority report, and we have 42 cents tariff, 5 cents freight, which should be 13—and so we have to bid up the domestic wheat market.

Now, if you are going to deal with price structure at all, you have got to deal with it with some consideration for the related price. Price is not an absolute thing; you can not deal with it as an absolute thing. Rye is a foodstuff which the world over is used as a substitute for

wheat. It is used as a substitute when wheat gets too high. This bill does not touch rye, but they are going to bid up the price on wheat.

I want, if I can, to get the House to think for a moment about the relation of prices as it would operate under this bill. You have got the relation of rye and wheat, and the bill does not attempt to say what the rye prices are to be. You have got the relation of oleo to butter, and the board does not attempt to touch cottonseed or any of its derivatives. All the way through you are dealing here with an effort to fix certain specified commodities at certain specified prices without any attempt whatever to fix the other commodities that relate to them.

Now, having in mind the commodity prices and the relations, I want you to consider what this is going to do to business in America. In the first place for internal trade the basing point to-day for wheat transactions is not Duluth, but the basing point for all adjustments of wheat will become Duluth, and Kansas City, Mo., has an entirely new competitive situation to face. His price and his competition will change. As the Federal Trade Commission discovered in the Steel cases, the minute you establish a new basing point in price for a commodity you change every single channel of trade in that commodity, and this bill expects to establish a new basing point for every basic commodity in the United States.

It will establish new competitions. It will intensify the competition between butter and cottonseed; it will intensify the competition between lard and cottonseed; it will create a competition which does not now exist between the fluid milk buyers in the city and the creamery buyer who buys fluid milk for butter.

In regard to cattle, what will it do? We have two kinds of cattle in the United States, two methods of raising them, range feeding and corn feeding. The bill is going to raise the price of corn. That is one of its chief

purposes. It is going to raise that price up to the world price. The competing market on corn, by the way, is Buenos Aires, and you have to find out what corn costs in Buenos Aires and add the freight from there to Baltimore and then the tariff of 15 cents to find out what the price of corn is going to be in the United States; but there is 20 cents of freight and 15 cents of tariff, so that you have a 35-cent raise in your corn price over Buenos Aires. Your cattle feeder who is now feeding corn will have to pay more for his corn, but your cattle feeder who has his cattle on the range is not going to pay a cent more to produce them. Then they bring them to slaughter and each of them is going to get a higher price by virtue of the equalization fee, but the man who has fed his cattle corn has an increased cost on his corn to use up the increased profits, and what is going to happen? People are going out of the business of feeding corn to cattle, and they will put them on the range and leave them there as long as they can.

There is competition in the market between the cattle fed on corn and on the ranges for different periods. You will leave your cattle on the range longer, and, therefore, you are going to decrease your consumption of corn. You can not make it an advantage to a man to feed cattle on the range and have him buy as much corn as he used to buy.

Those are just some of the dislocations that this legislation would create in our internal situation. What will we do abroad? We are going to buy wheat over here at a price above the world price, tack the tariff on it and then we are going to take it over to Europe and sell it for what we can get.

I pointed out a while ago that the total export trade in wheat from all nations was about 700,000,000 bushels from all exporting to all importing nations. A little later I want to talk on the inevitable effect of any price-raising

proposition in increasing production. I believe, and I think the House will believe, that it can not but fail to increase production, if it does, the total export wheat in the world is going to be over 700,000,000 bushels, and if it goes over 700,000,000 bushels, we are going to depreciate the world price of wheat by the volume of wheat that we feed into it. What will happen? Our labor in America is going to buy bread on a basis at least 47 cents a bushel higher for wheat than British labor and German labor and French and Canadian labor. We are going to cheapen the cost of production of foreign-made articles by selling foodstuffs cheaper to foreign labor than we sell them to our own.

The next thing that we are going to cheapen for Europe is the feed cost of its cattle, because we are going to export corn and take the loss on it, if the board contemplates buying corn to maintain prices. We already have a pretty stiff competition in Europe on lard. Danish lard exports have increased from 100,000,000 pounds to 400,000,000 pounds in a few years. They now export 40 per cent as much lard from that little country as we do. We can not afford to give them any cheap feed.

Every product we sell in the world market we sell against ourselves. Every product we sell in the world market in so far as it contributes to a lower price level in the world market lowers the level for the American farmer just as well after this bill as before.

On the workability side of this thing, gentlemen, I just want to have you go and work it out in figures. We will take wheat first. Now, you will have to go in the Winnipeg market, and you have got to take the price in Winnipeg. You add 42 cents tariff, 13 cents freight, making your American price 55 cents above Winnipeg at Duluth, which means probably 60 cents in Minneapolis.

Now, they have a price in Winnipeg this morning at 10 o'clock, at the opening of the market, we will say, of $1.30, so our board's price is $1.80; and at 10.15 some-

body sells some wheat short or otherwise at Winnipeg, and the price goes down to $1.27. Now, unless the board instantly meets and refixes the price at $1.77 instead of $1.80 some speculator is going to be on the job to sell the board some Canadian wheat at $1.80 and buy it in Winnipeg at $1.27 and make 3 cents a bushel. He can contract it into this country. It is done every day; arbitrage trades between Chicago and Winnipeg and Minneapolis and Winnipeg; men sitting by the telegraph wire buying and selling daily on a fraction as small as a sixteenth of a cent profit and making considerable sums of money by doing it.

That is one of the problems that this board has got to solve. It has either got to get to an absolute fixation of price with an embargo or else it has got to be continuously in session modifying its prices, unless it wants the Treasury's money and the farmers' money to be used in maintaining a price in foreign markets for foreign grain crops.

Now I want to try to talk a little about the consumer. In the first place I have already given you the pork and beef figures, and I do not want you to forget what a shift there was in the eating habits of the American people in a year as price relationships between two similar commodities changed. That is very important on this point.

If the American people think they are being charged too much for any of these commodities, they are going to quit using them, and it does not make any difference whether it is cotton or wheat or what you please; they are going to find a substitute. What happens? Every pound of lard that they substitute for with oleo makes one more pound to export at a loss. Every bushel of wheat by which they cut their wheat consumption makes one more bushel of wheat to be exported at a loss.

If you are going to increase prices arbitrarily, you will have to increase wages; I mean a scale increase. One of the oldest economic theories—I think somewhat modified lately—was that the price of wheat fixes wages. But

with the change in eating habits I am not sure that that is still true. But the price of food and clothes do fix the rate of wages.

Now, the consumer has some right to be heard on this question. In the last analysis he controls the question, both through his ability to discontinue using the things that cost too much and through the fact that his money is called upon to help finance the whole problem.

I do not say, and I do not believe, that the American consuming public will resist legislation which in their belief will definitely cure the ills of agriculture. But I do say and I do believe that an arbitrary price-raising or price-fixing program, with no consideration of the relationships that must follow, financed by heavy taxation out of the Treasury, will produce a decline in consumption which will cost the American farmer more money than he will gain from enhancement in the price.

And, further, we have produced and are producing—and that is why we are debating this question—an excess of wheat, hogs, butter—a small excess of butter—of cotton, and of corn, and we are doing it at a loss, if the evidence before us is correct.

An excess above American consumption. We are told that the American farmers are producing in all of these commodities more than there is a domestic demand for, and they are doing it at a loss. If they are doing it at a loss now, in heaven's name, what will they produce if we give them a profit?

He will produce more. He would not be wise if he did not. I would do it, and you would do it, and any business man would do it. Give him the promise of a profit in place of a long-running loss, and what will he do?

He will plant more, and I would have less respect for the American farmer if he did not go to it and plant all he could; certainly as long as the Government Treasury held out. It is the history of this country that every year

of high prices has been followed by an increase in acreage, with possibly three exceptions in wheat in 40 years, and I think only once or twice in the same period in cotton. If we are going to definitely promise an enhanced price, enhanced by a definite figure, we have got to face a return to the wheat acreage of 75,000,000 acres; we have got to face the bringing in of the tremendous acreage in Texas that has recently been found to be available for cotton, and we have got to face a return of production of crops to their past peak.

The next thing I want to talk on is the equalization fee, because I think that is the crux of the situation from the angle of the advocates of the legislation.

Now, first, under the language of this bill the equalization fee will reach every pound of cotton raised in the United States and, therefore, as to cotton I think it is probably constitutional.

I want to point out again that this equalization fee will reach all cotton because it reaches everything that goes to the gin, but when you come to wheat or corn, only 500,000,000 bushels of corn, roughly, out of a normal crop ever go to market, and of that probably not over 150,000,000 or 200,000,000 bushels ever leave the county in which it is grown. The bill is so drawn as to endeavor to leave that kind of a transaction within the counties outside of the scope of the equalization fee. On wheat it will not reach that part of the wheat—as it will not on corn—that is used for feed on the farm. I have been given an estimate, which I believe to be authoritative, that probably 35,000,000 bushels of wheat are annually so used in the United States.

Now, then, what situation do we get into as a result of that on wheat? We have a normal crop of around 830,000,000 bushels. That is our present normal average. Of that we exported last year, or, rather, for five years, an average of 231,000,000 bushels. That leaves us 600,000,000 bushels. Of the 600,000,000 bushels, 85,000,000

bushels went for seed and 35,000,000 bushels went for feed on the farm. That leaves 480,000,000 bushels of wheat to pay the equalization fee on the entire crop. Now, if we are successful in making the American market 50 cents a bushels above the competing market, the 231,000,000 bushels of wheat which we now normally export have got to be sold in the world market at a loss of 50 cents per bushel on 231,000,000 bushels, or $115,000,000 a year.

There is no other market for it. I am disregarding in that estimate two things that will increase it: One of them is the decrease in domestic consumption that will follow a lifting of price and will therefore increase the balance for export; the other is the increased production that will follow an increase in price—and every additional bushel produced goes for export. But, taking it on the most favorable basis, on the statistics on wheat in the last five years in the United States, you would have had to raise $116,000,000 annually by an equalization fee on 480,000,000 bushels of wheat.

That is your wheat equalization fee, and that figures out over 20 cents a bushel on wheat. The American wheat farmer has enjoyed this year at times an advantage of 20 or 22 cents under the tariff over the competing markets. At other times he has not. As to the times when he enjoyed it, the equalization fee is going to take out practically the entire difference between what he would have had without it and what he is going to get with it. As to the balance of the time, it is going to increase his price and therefore increase his production, which in turn will increase the quantity which must be sold at a loss on the lower foreign market and consequently increase the equalization fee to pay the added losses.

But, apart from all this, what is it that we are dealing with, gentlemen? If there is one thing that every student of economics is brought up on, it is that if there are any

two types of tax that any sane government avoids, they are a tax on production and a tax on the necessities of life [applause], and this tax combines both in one. It is attempted to be levied as a tax to be paid by the producer, and it is levied for the purpose of adding to the price paid by the consumer, and it uses the taxing power of the Government of the United States to accomplish both purposes. I can not find any authority anywhere to defend either of these types of taxation as a wise and legitimate use of the powers of government.

The equalization fee is urged as the one way to stop overproduction. I am quoting now the proponents of the bill. In other words, they concede that without it production is going to increase, but they say that the psychological effect of knowing he is to be taxed will tend to hold down the farmer's production. Well, that will work just as soon and not until the tax equals the profit. Just as soon as the equalization fee is just as much as he is getting more in price than he used to get, he will quit raising more as a result of the increased price, and not until then.

Realizing that is the fact, and realizing and admitting in the hearings that the equalization fee is not going to be the most popular thing in the world with the farmer—they say the northwestern farmer is ready for it, but they do not think the southern farmer is crying for it, and they are not dead sure about the eastern ones—thinking it will be unpopular, they are going to postpone it for two years. Think of that, gentlemen. They admit the increase of price without it will increase production tremendously.

They admit it will increase production tremendously. They say it is going to be unpopular to tax the farmers, so we are going to set up a machinery that for two years will enhance his price just as much as we expect to do with the equalization fee; we are going to spread it over his increased production.

What I have said here on the subject of the increase in production and the unpopularity of the tax is taken from the hearings of the proponents of the bill who only two or three weeks ago told the committee that to pass the bill without the equalization fee was to "debauch the morale of the American farmer." That is in the hearings.

Now, my friends, finally on the equalization fee, I believe as I have said, that this thing is unconstitutional, but I am not going to argue this because I have put it in my minority report. I think so for many reasons. I have only put one in the memorandum, and the reason I did not go into it more is this: The mere threat of attack on the constitutionality of this legislation will defeat its every purpose except the taking of the $375,000,000 out of the Treasury. The moment you notify the world that this law is under attack and pending that attack the Government of the United States is assisting in the purchasing and taking off of the market of excess products, who that can wait will buy? Will any wheat miller, will any cotton spinner, will any pork packer here or abroad make any forward purchases when he knows that sooner or later there is a chance of the whole structure tumbling down on the heads of its proponents like a house of cards, and that the Government and the agencies which it has created will be compelled to unload the vast holdings of cotton and wheat and corn and cattle that they will have accumulated?

I say that if there is any possibility of our finding a constitutional program we should do it—one that is unquestionably constitutional and not one that is going to put the American farmer through its collapse into a worse place than he was in 1920 and 1921.

Now, what is this thing going to cost the Government? In the first place, if we are to consider this subsidy we might as well face what it means. I do not mean any disrespect to the American farmer when I say this, but we have, as I said earlier, in England to-day an illustra-

tion of what happens when the Government attempts to withdraw a subsidy. We have it in Denmark, where for three years they have attempted to get away from a dole for the unemployed. It takes nothing short of a rebellion to produce the abandonment of a subsidy program that reaches so many people, interests such a large percentage of the population, as does this subsidy. Therefore if we are going in for this subsidy we ought to do it with our eyes open. It is permanent if the Treasury holds out.

I have given you the figures on wheat. They have asked for $375,000,000 for two years. Of that $100,000,000 is to go to cotton; $250,000,000 to butter, wheat, corn, cattle, and swine; and $25,000,000 for loans to everything else.

Now, we may get this $25,000,000 back, but it is my sincere belief that the losses on wheat in two years will far more than use up the whole $250,000,000. That is for wheat alone under this program, unless we are fortunate enough to have a short world crop and even then it might.

On cattle I do not know where that would work out. That is as good a guess for one man as for another. There is nothing in the record to help and the same is true of butter. Corn is a guess.

When you come to pork you have a pretty definite measure of loss. You have about 2,000,000,000 pounds of pork products exported in a year, and as I understand the situation, the plan would work out to produce an increase of 5 cents a pound on pork products.

Therefore, your American market is going to be 5 cents a pound higher than the European market on pork exports of over 2,000,000,000 pounds. You are going to increase the exportable surplus, because certainly if you raise the price of lard and raise the price of butter to the American consumer you are going to sell more oleo,

more cottonseed products here, and have a larger surplus for export.

But eliminating that, you have got 5 cents a pound on 2,000,000,000 pounds of export pork products, or $100,000,000 a year. After that you have to add the profits of the packer, the wheat miller, and every processing agent, and the loss is going to multiply.

I honestly mean what I say to the House when I say that I can not see how $250,000,000 can possibly last out the first year. I do not know why they call this a revolving fund unless it is that they expect to take a whirl on the taxpayers' money, because there is no more chance of any of it coming back, except the $25,000,000 and perhaps some of the cotton money, than if it never was expected to return.

Remember that I said—on the basis of the testimony of the proponents of the bill—that the whole thing would break down without the equalization fee.

I do want to call to the attention of the committee seriously the consequences of a breakdown in the structure set up under the bill of the gentleman from Iowa [Mr. HAUGEN] if it should break down. In the first place, it is going to be necessary to set up sole agencies to handle these basic commodities, and that means destruction of all existing commercial machinery. That in turn means that if the major proposals ever break down through constitutional or other objections, or by repeal by Congress, there will be no machinery in existence with which to handle these enormous crops.

The second thing is that the large supplies accumulated of which I have spoken will have to go on the market and that low prices are inevitable through the coming of those supplies back into the market. If you break down this machinery or remove it at any time through constitutional or other objections, automatically a period of exceedingly low prices must follow to the American farmer and a general chaos that I do not want to face.

KEEP GOVERNMENT OUT OF BUSINESS[6]

The important place which agriculture holds in the economic and social life of the nation can not be overestimated. The national government is justified in putting forth every effort to make the open country a desirable place to live. No condition meets this requirement which fails to supply a fair return on labor expended and capital invested. While some localities and some particular crops furnish exceptions, in general agriculture is continuing to make progress in recovering from the depression of 1921 and 1922. Animal products and food products are in a more encouraging position, while cotton, due to the high prices of past years supplemented by ideal weather conditions, has been stimulated to a point of temporary over-production. Acting on the request of the cotton-growing interests, I appointed a committee to assist in carrying out their plans. As a result of this co-operation sufficient funds have been pledged to finance the storage and carrying of 4,000,000 bales of cotton. Whether those who own the cotton are willing to put a part of their stock into this plan depends on themselves. The Federal government has co-operated in providing ample facilities. No method of meeting the situation would be adequate which does not contemplate a reduction of about one-third in the acreage for the coming year. The responsibility for making the plan effective lies with those who own and finance cotton and cotton lands.

The Department of Agriculture estimates the net income of agriculture for the year 1920-21 at only $375,000,000; for 1924-25, $2,656,000,000; for 1925-26, $2,757,000,000. This increase has been brought about in part by the method already referred to, of federal tax reduction, the elimination of waste, and increased efficiency in industry. The wide gap that existed a few

[6] By President Coolidge. Annual message to Congress, December 7, 1926.

years ago between the index price of agricultural products and the index price of other products has been gradually closing up, tho the recent depression in cotton has somewhat enlarged it. Agriculture had on the whole been going higher while industry had been going lower. Industrial and commercial activities, being carried on for the most part by corporations, are taxed at a much higher rate than farming, which is carried on by individuals. This will inevitably make industrial commodity costs high while war taxation lasts. It is because of this circumstance that national tax reduction has a very large indirect benefit upon the farmer, tho it can not relieve him from the very great burden of the local taxes which he pays directly. We have practically relieved the farmer of any federal income tax.

There is agreement on all sides that some portions of our agricultural industry have lagged behind other industries in recovery from the war and that further improvement in methods of marketing of agricultural products is most desirable. There is belief also that the federal government can further contribute to these ends beyond the many helpful measures taken during the last five years thru the different acts of Congress for advancing the interests of the farmers.

The packers and stockyards act.

Establishing of the intermediate credit banks for agricultural purposes,

The Purnell act for agricultural research,

The Capper-Volstead co-operative marketing act,

The co-operative marketing act of 1926,

Amendments to the warehouse act,

The enlargement of the activities of the Department of Agriculture,

Enlargement of the scope of loans by the Farm Loan Board,

The tariff on agricultural products,

The large federal expenditures in improvement of waterways and highways,

The reduction of federal taxes, in all comprise a great series of governmental actions in the advancement of the special interest of agriculture.

In determination of what further measures may be undertaken it seems to me there are certain pitfalls which must be avoided and our test in avoiding them should be to avoid disaster to the farmer himself.

Acting upon my recommendation, the Congress has ordered the Interstate Commerce Commission to investigate the freight-rate structure, directing that such changes shall be made in freight rates as will promote freedom of movement of agricultural products. Railroad consolidation which I am advocating would also result in a situation where rates could be made more advantageous for farm produce, as has recently been done in the revision of rates on fertilizers in the South. Additional benefit will accrue from the development of our inland waterways. The Mississippi River system carries a commerce of over 50,000,000 tons at a saving of nearly $18,000,000 annually. The Inland Waterways Corporation operates boats on 2500 miles of navigable streams and thru its relation with 165 railroads carries freight into and out of 45 states of the Union. During the past six months it has handled over 1,000,000 bushels of grain monthly and by its lower freight rates has raised the price of such grain to the farmer probably 2½ cents to 3 cents a bushel. The highway system on which the federal government expends about $85,000,000 a year is of vital importance to the rural regions.

The advantages to be derived from a more comprehensive and less expensive system of transportation for agriculture ought to be supplemented by provision for an adequate supply of fertilizer at a lower cost than is at present obtainable. This advantage we are attempting to secure by the proposed development at Muscle Shoals,

and there are promising experiments being made in synthetic chemistry for the production of nitrates.

A survey should be made of the relation of government grazing lands to the livestock industry. Additional legislation is desirable more definitely to establish the place of grazing in the administration of the national forests, properly subordinated to their functions of producing timber and conserving the water supply. Over 180,000,000 acres of grazing lands are still pastured as commons in the public domain with little or no regulation. This has made their use so uncertain that it has contributed greatly to the instability of the livestock industry. Very little of this land is suited to settlement or private ownership. Some plan ought to be adopted for its use in grazing, corresponding broadly to that already successfully applied to the national forests.

The development of sound and strong co-operative associations is of fundamental importance to our agriculture. It is encouraging to note, therefore, that a vigorous and healthy growth in the co-operative movement is continuing. Co-operative associations reporting to the Department of Agriculture at the end of 1925 had on their membership rolls a total of 2,700,000 producers. Their total business in 1925 amounted to approximately $2,400,000,000, compared with $635,800,000 in 1915. Legislative action to assist co-operative associations and supplement their efforts was passed at the last session of Congress. Important credit measures were also provided by Congress in 1923 which have been of inestimable value to the co-operative associations. Altho the federal credit agencies have served agriculture well, I think it may be possible to broaden and strengthen the service of these institutions.

Attention is again directed to the surplus problem of agriculture by the present cotton situation. Surpluses often affect prices of various farm commodities in a disastrous manner, and the problem urgently demands a

solution. Discussions both in and out of Congress during the past few years have given us a better understanding of the subject, and it is my hope that out of the various proposals made the basis will be found for a sound and effective solution upon which agreement can be reached. In my opinion co-operative marketing associations will be important aids to the ultimate solution of the problem. It may well be, however, that additional measures will be needed to supplement their efforts. I believe all will agree that such measures should not conflict with the best interests of the co-operatives, but rather assist and strengthen them. In working out this problem to any sound conclusion it is necessary to avoid putting the government into the business of production or marketing or attempting to enact legislation for the purpose of price fixing. The farmer does not favor any attempted remedies that partake of these elements. He has a sincere and candid desire for assistance. If matched by an equally sincere and candid consideration of the different remedies proposed, a sound measure of relief ought to result. It is unfortunate that no general agreement has been reached by the various agricultural interests upon any of the proposed remedies. Out of the discussion of various proposals which can be had before the committees of agriculture some measure ought to be perfected which would be generally satisfactory.

The whole question of agriculture needs most careful consideration. In the past few years the government has given this subject more attention than any other and has held more consultations in relation to it than on any other subject. While the government is not to be blamed for failure to perform the impossible, the agricultural regions are entitled to know that they have its constant solicitude and sympathy. Many of the farmers are burdened with debts and taxes which they are unable to carry. We are expending in this country many millions of dollars each years to increase farm production. We ought now to put

more emphasis on the question of farm marketing. If a sound solution of a permanent nature can be found for this problem, the Congress ought not to hesitate to adopt it.

BRIEF EXCERPTS

The machinery to carry out such a law [McNary-Haugen Bill] would necessarily be somewhat intricate and there would be some difficulties in its enforcement. —*George W. Norris. Current History.* 24: 13. *April,* 1926.

In support of his assertion that there has been a recovery in every section of the country since the 1920-21 depression, Secretary Jardine cites the net value of the 1925-26 crop, $2,757,000,000 which was 4 per cent. more than net return on the crop of the preceding year.—*New York Times. December* 10, 1926.

The soundest friends and advisers the farmer has have continually pointed out the advisability of having, say, flax to fall back upon when wheat is a drug on the market. A drastic cut in wheat acreage is doubtless desirable at this time. Other readjustments the farmer can work out with the help of his government's information service facts—not with the fiery rhetoric of his representative at the capitol.—*Carlton P. Fuller. Bankers Magazine.* 108: 884. *June,* 1924.

The present unhappy condition of the Iowa farmer is traceable directly to the veritable orgy of prosperity that pursued the Iowa farmer in the war period. His present condition is not the result of poor crops or bad prices. It is a reaction from a giant speculation in real estate. It can't be cured by law. There is no legislative remedy for a busted boom. Time necessary for readjustment is nature's only remedy.—*Henry J. Allen, former governor of Kansas. Nation's Business.* 14: 19. *September,* 1926.

Our farmers are large purchasers of some of the very commodities the price of which is going to be increased by the Haugen bill. I believe that bill will put up the price of wheat approximately 50 cents per bushel and will advance the price of corn; but it will not help the cotton farmer a particle, but, on the contrary, will increase the price he is forced to pay for some of the necessities he is forced to buy. I think my State purchases, or perhaps, I should say, uses, some 8,000,000 bushels of wheat annually. Therefore this bill in order to raise the subsidy will impose a tax of $4,000,000 annually upon the people of North Carolina.—*Edward W. Pou. Congressional Record.* 67:8695. *May* 4, 1926.

Mr. HAUGEN's bill proposes to deal with the surplus, and you have heard so much about surpluses in the press and in the Congress and by the lobbyists that the American people have become amazed, astounded, and frightened at the word "surplus." What are surpluses in American agriculture? It is worthy of note that 65 per cent of the food products of the soil are perishable. Only 35 per cent of the food products of the soil are nonperishable, and less than 25 per cent of the 35 per cent is surplus. So you are dealing in the Haugen bill with only 8.9 per cent surplus of food products and nothing for the American people.—*James B. Aswell. Congressional Record.* 67:8837. *May* 6, 1926.

I confess to some alarm at the implications the enactment of this legislation [the McNary-Haugen bill] would carry. It would be difficult, if it can be unheld [by the courts], to set bounds to the power of Congress over the business of the country. If it may in the manner proposed artificially raise the price of farm products, it may undoubtedly in like manner raise the prices of the products of the mine, mill, and factory. If it may provide for buying and storing wheat to insure a higher domestic

price for it, protected against foreign competition by the tariff, it may equally and by a similar process force upward the price of copper, or coal, or shoes. I have studied the Constitution in vain if it either authorizes or permits such manipulation.—*Thomas J. Walsh. Congressional Record.* 67: 11367. *June* 16, 1926.

Three years ago for 12 days as a visitor I sat in the British Parliament. I heard that body, at the request of the minister of agriculture, without debate and practically by unanimous vote, repeal the law guaranteeing the price of agricultural commodities after it had been in force for exactly six months, at a cost of more than $100,000,000 to the treasury. At that time they tried to repeal the government dole, but too many people were interested; they could not. They have not yet repealed that subsidy. It is the cause of the tragedy of England to-day. The moment the Congress of the United States enacts the Haugen bill, we take the first step in the direction that has brought England her tragic disaster at this hour. God forbid that America should go that way!—*James B. Aswell. Congressional Record.* 67: 8836. *May* 6, 1926.

The Haugen bill is offered as a panacea to depressed agriculture in a few states, but the bill has some vicious provisions in it. It creates a subsidy pure and simple. If it should pass some temporary relief might come to the wheat grower and corn grower, but that relief would only last while the subsidy lasted. The parceling out of favors is coming back to plague you now. By this bill you attempt to override economic law. You would take money out of the treasury to help one class of the community at the expense of all the people. The situation with which we are called upon to deal is the culmination of a policy of conferring special privilege on the few at the expense of all the people which has been practiced for

two generations, whenever the Republican party has been in complete control.—*Edward W. Pou. Congressional Record.* 67:8694. *May* 4, 1926.

They (the farmers) are all willing and eager to pillage us by starving us, but they can't do it because they can't resist attempts to swindle each other. Recall, for example, the case of the cotton growers in the south. They agreed among themselves to cut down the cotton acreage in order to inflate the price—and instantly every party to the agreement began planting more cotton in order to profit by the abstinence of his neighbors. That abstinence being wholly imaginary, the price of cotton fell instead of going up—and then the entire pack of scoundrels began demanding assistance from the national treasury—in other words, began demanding that the rest of us indemnify them for the failure of their plot to blackmail us! The same demand is made almost annually by the wheat farmers of the middle-west.—*H. L. Mencken. American Mercury.* 1:294. *March,* 1924.

What Secretary Mellon's analysis of the bill demonstrates is that it is a scheme to mulct American consumers. They would have to pay higher prices than foreigners for the same American products. The scheme is frankly confessed by its promoters to be one to subsidize the farmers. But Secretary Mellon shows that its ultimate effect would be to subsidize our European competitors in the world market. Furthermore, speaking from the standpoint of practical administration, he makes it clear that the Haugen bill is so cumbrous and complicated that to execute it, if it became law, would require a whole army of Government inspectors and bureaucrats, and would result in endless clashes with individual farmers and in masses of litigation. It seems impossible that the measure can survive the heavy blow dealt it by the

Secretary of the Treasury. As a matter of fact, it has failed to receive the support of many powerful farm organizations which have not been caught by its lure. —*Editorial. New York Times. June* 16, 1926.

Should the principles of the Haugen bill be approved by the Congress, its provisions would embroil the Government in everlasting sectional quarrels. A Government guaranty that the farmer will receive a certain price for his crops would invite temptation to place under cultivation the 25,000,000 acres now barren, thereby increasing the yearly appropriation to pay a subsidy to the farmer, which eventually would raise the price of food. Machinery, with the modern methods of farming decreases the number of farm hands per acre. Consequently more land can now be cultivated with the same number of employees than half a century ago, and thus soil production increases faster than it can be consumed. The policy of the Haugen bill, therefore, would be dangerous for our Government to pursue; it would open the door for Bolshevik ideas that might rob the American people of liberty, domestic happiness, and independence, which have been their privileges for a century and a half in a way no other country can parallel.—*Henry W. Watson. Congressional Record.* 67: 13077. *July* 3, 1926.

I have estimated it will take $1,500,000,000.00 of government capital to ultimately properly finance this proposition. I want all of the exportable surplus included in it, cotton, tobacco, as well as grains and livestock products. Nobody can tell exactly what amount of capital is going to be necessary to properly handle this, but I got at it in this way: I analyzed the amount used in the wheat corporation during the war, and it was over $500,000,000.00 of capital that was required for wheat alone, when the government handled that during the war. Now that was higher price and under exceptional conditions, and

probably required twice as much capital as would be required in time of peace to handle that one commodity. It was on that basis. I then took a sort of average of the other products that would be handled in export, being a total of about $2,000,000,000.00 per year, on an average. Some of that is, of course, quick turnover, and the same capital will handle it several times during the season, but there will be some permanent investment necessary for storage, and there may be ultimately for processing, and I think $1,500,000,000.00 is not an excessive amount to have. —*Smith W. Brookhart. Hearings before the Committee on Agriculture and Forestry of the United States Senate. March* 8, 1926. *p.* 80.

No complicated scheme of relief, no plan for Government fixing of prices, no resort to the public Treasury will be of any permanent value in establishing agriculture. Simple and direct methods put into operation by the farmer himself are the only real sources for restoration.

Indirectly the farmer must be relieved by a reduction of national and local taxation. He must be assisted by the reorganization of the freight-rate structure which could reduce charges on his production. To make this fully effective there ought to be railroad consolidations. Cheaper fertilizers must be provided.

He must have organization. His customer with whom he exchanges products of the farm for those of industry is organized, labor is organized, business is organized, and there is no way for agriculture to meet this unless it, too, is organized. The acreage of wheat is too large. Unless we can meet the world market at a profit, we must stop raising for export. Organization would help to reduce acreage. Systems of cooperative marketing created by the farmers themselves, supervised by competent management, without doubt would be of assistance, but they can not wholly solve the problem. Our agricul-

tural schools ought to have thorough courses in the theory of organization and cooperative marketing.

Diversification is necessary. Those farmers who raise their living on their land are not greatly in distress. Such loans as are wisely needed to assist buying stock and other materials to start in this direction should be financed through a Government agency as a temporary and emergency expedient.

The remaining difficulty is the disposition of exportable wheat. I do not favor the permanent interference of the Government in this problem. That probably would increase the trouble by increasing production. But it seems feasible to provide Government assistance to exports, and authority should be given the War Finance Corporation to grant, in its discretion, the most liberal terms of payment for fats and grains exported for the direct benefit of the farm.—*President Coolidge. Message to Congress, December* 6, 1923. *p.* 12-13.

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